

# **Human Resources Management**

## **Professional Diploma**

**March 2011**

**Master Trainer: Mr. Sherif Lotfy**

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# Trainer Qualifications

## Mr. Sherif Lotfy

Mr. Lotfy is a Management Consultant specialized in the field of Human Capital and Training Consulting. he obtained his Business Administration degree from Helwan University majored in Foreign Trade section, followed by an MBA from Academy of Science and Technology in collaboration with French University (ESLSCA), which he achieved first rank in research involved in "The impact of knowledge management and intellectual capital on raising the organization's performance". He is now pursuing his doctoral degree with Maastricht School of Management (MsM), the Netherlands. His thesis work in progress involved the evaluation Strategic Human Resources functions and its impact on the overall corporate performance.

Currently, Mr. Lotfy is the Managing Director of Brilliance for Human Capital Consulting. He is also working as an Independent Business Management Consultant/ Instructor/ Coach under this Entity. In parallel Mr. Lotfy is a part time lecturer in many other reputable institutes.

Being mainly specialized in Human Capital field, during the past five years, Mr. Lotfy achieved several management consultancy assignments mainly in the areas of human resources, training and sales fields; particularly in training needs analysis and training consultancy, evaluation of training programs, job analysis and job profiling, recruiting and selection, assessing the employees' capabilities, skills and competencies, assessment centers, building HR competency framework, creating and auditing on performance appraisal, formulating KPI's and building performance management system.

Moreover Mr. Lotfy delivered several training and workshops - tailor made and ready made, international and local courses in various fields mainly in human resources and training fields as well as training of the trainer (TOT) diplomas, training needs analysis, human resources courses in various fields for HR professionals includes, job analysis and profiling, behavioral and competency-based Interviewing skills, performance appraisal skills, performance management system, HR for non HR. other trainings and workshops in fields of Management and Leadership, Sales, Contact and Call Centre, Emotional Intelligence and Interpersonal Skills, Creative Thinking skills, Problem Solving and Decision Making, attitude and perception and team building.

The Consultancy projects and training workshops carried out with a multitude of industries, businesses and services including: telecommunications, FMCG's, manufacturing, cement, chemicals, printing, real estate, information technology, retailing, hotel and tourism, banking, garment, home appliances, vehicles spare parts, automotive, food processing, communication and computer, petroleum engineering, heavy machinery and tracks, aviation and low voltage electrical distribution industries.

Before that, and for Almost 8 years, Mr. Lotfy had a very rich professional experience in leading multinational companies such as: PGESCO entity of Bechtel Egypt Corporation, Vodafone Egypt, Moevenpick Hotels and Resorts and other consulting and training providers.

Mr. Lotfy started as an accountant in PGESCO entity of Bechtel Egypt Corporation where he got the practical experience in multinational companies in the field of accounting. After that, Mr. Lotfy had joined Vodafone Egypt where he worked in customer operations department and sales department where he was mainly responsible for quality assurance of the customer operations and sales staff. Mr. Lotfy conducted several training courses within the departments. After 4 years, Mr. Lotfy joined Moevenpick Hotels and Resorts chain in the post of training and quality assurance head where he was responsible with his team for all the related issues of training and quality.

After Mr. Lotfy's achievements in the training department, he performed HR consultancy for the Human Recourse Department and other department heads. He was also one of the executive committee members in the hotel, which involved the making of strategic decisions for the hotel.

For the next 4 years, Mr. Lotfy worked as a management consultant and trainer in the field of HR and developing people's skills and competencies. He worked as a consultant with Ministry of Communication and IT (MCIT) in the project of evaluating and assessing the service providers who are bidding to provide their service of training and developing the graduates on soft skills, computer skills and English language skills. Also, he worked as an independent consultant and freelance trainer with many multinational and domestic companies. Also, he worked with several reputable service providers include; Dale Carnegie, RITI, Amcham, Logic Management Consulting and Innovative Group.

Mr. Lotfy has acquired a vast experience especially in the multinational sector. His experience can be adapted and implemented to different organizations. He has a passion for dealing with people, thus he established himself in various industries from the start by being a customer oriented guided by the highest quality standards. Mr. Lotfy is an active member in some society and charity associations.

# Diploma Outline

## Module 1 Strategic Management

- Strategic Management and Planning - Definition
- Corporate Governance Concept
- Steps of Strategic Management process
- Environmental Scanning
  - Environmental Scanning - External factors
  - Porter Forces – Industry Analysis
  - Environmental Scanning - Internal factors
- Strategy formulation
  - Vision and mission – Importance and Concept
  - External and internal factors - SWOT Analysis
  - Tows Matrix
- Types of strategies in organization
- Types of Corporate Directional Strategy
  - External mechanisms: merge, acquisition and alliance
- Business portfolio and Portfolio Analysis
  - The Boston Consulting Group (BCG) Matrix
  - The General Electric (GE) Business Screen
- Different Strategies for business units
  - Cooperative Strategy
  - Competitive Strategy
  - Cost leadership, differentiation and focus strategy
- Different functional Strategy
- Strategy implementation
- Evaluation and Control
- Strategic Role of HR in the organization

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## **Module 2 Concepts of Human Recourses Management**

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- Human Resource Management
- Different Roles for HRM
- HR from Supporting Function to Strategic Partner
- Changing Roles of HR Management
- HR Strategy Alternatives
- HR Responsibilities and functions

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## **Module 3 Job analysis and Competency Framework**

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- Job Analysis – Definition and Concept
- The nature of job analysis
- Different methods of collecting job analysis
  - Interviews
  - Questionnaire
  - Observation
  - Diary / Logs
- Job descriptions – Formulation
- Job specification from the job description
- Competency framework– Definition and Concept
- Competency role in Corporate culture
- Competency-based Human Recourse
- Components of Competency Framework
- Types of competencies
- Competencies needed for different jobs
- Behavioral indicators



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## **Module 4 Personnel Planning and Recruitment**

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- Techniques in employment planning and forecasting
- Market Analysis and Recruitment Channels
- Different types of tests and assessments
- Techniques of selection interviews
- Integrate competencies in the selection process
- Skills required for interviewer in selection process
- Behavioral-based interview techniques
- Reveal the required information from the candidate
- Evaluate answers given by the candidate
- Measurements with evaluation scale

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## **Module 5 Training and Development**

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- Define Learning, Education, Training & Development
- Understand Nature of Adult Learning
- Types of Adult Learning
- Recognize Training Generic Model
- Identify steps of Training Needs Analysis
- Analysis the performance gap
- Identify training versus Non-training solutions
- How to select a Service Provider
- Methods of Training Evaluation – Kirkpatrick Model
  - Participant's reaction
  - Learning
  - Transfer / Behavior
  - Return on Investment (ROI)

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## **Module 6 Performance Management System (PMS)**

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- PMS from traditional views to new concepts
- Performance management versus performance appraisal
- Performance Management System Misconceptions
- Explain the Performance Management System Model
  - Performance Planning
    - Key responsibilities and job descriptions
    - Cascading Objectives and Action plan
    - Behavioral indicators
  - Performance Monitoring & Coaching
    - Observe, monitor and coach
    - Deliver feedback
    - One on one sessions
  - Performance Appraisals
    - Compile/Review data
    - Parties' appraisals
    - Appraisers rating errors
  - Learning and Development

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## **Module 7 Compensation and Benefits Management**

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- Methods in compensation planning
- Factors in determining pay rates
- Explain how to price managerial and professional jobs
- Discuss current trends in compensation
- Incentives for individual employees
- Develop effective incentive plans
- Insurance and other job benefits
- Discuss the main retirement benefits
- Flexible benefit employee programs

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## **Module 8 Labor Law and Social Insurance**

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- Employment, hiring and hiring Foreign labor
- Work Contract, working hours and Leaves
- Female Labor and Children Labor
- Termination of Work Relation and Workers Duties
- Health and Safety
- Procedures for social security memberships
- The membership ratios
- Purchasing of insurance durations
- General conditions for receiving the pension
- Cover Work Injury and illness Social Care

## **Final Project**

## Final Project Graduation

**Goals I want to achieve from the diploma ....**

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## **MODULE**

# **1**

## **Strategic Management**

### **Learning Objectives**

- Define Strategic Planning
- Define Strategic Management
- Identify steps of Strategic Management process
- Explain the vision and mission
- Assess internal and external factors
- Conduct SWOT Analysis
- Identify how to formulate strategies
- Hierarchy of strategies along the organization
- Types of Corporate Directional Strategy
- External mechanisms: merge, acquisition and alliance
- Business portfolio and Portfolio Analysis
  - The BCG (Boston Consulting Group) Matrix
  - The GE (General Electric) Business Screen
- Different functional Strategy
- Know steps of strategy implementation

# Strategic Management

## Strategic Management

It is a set of managerial decisions and actions that determines the long-run performance of a corporation.

## Strategy

- ✓ A strategy is a course of action.
- ✓ The company's long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.

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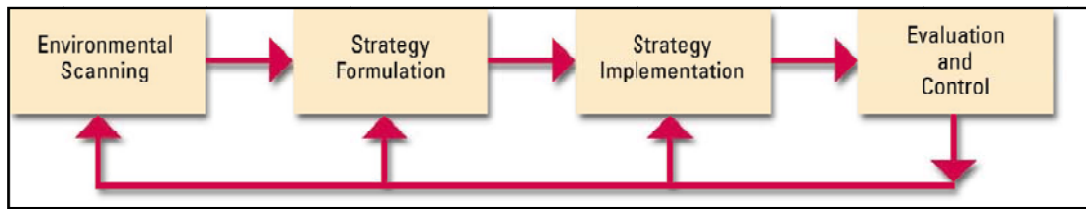
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## Strategic Management Model



Step 1: Perform External and Internal Audits

Step 2: Define the Business and Its Mission

Step 3: Translate the Mission into Strategic Goals

Step 4: Formulate a Strategy to Achieve Strategic Goals

Step 5: Implement the Strategy

Step 6: Evaluate Performance

## Step 1: Environmental Scanning

It is the monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation.

### Strategic factors

They are those external and internal elements that will determine the future of the corporations.

## Internal and External Factors

### Internal Environment:

- Variables within the organization itself
- Variables form the context in which the work is done.
- Usually within the top management's control.

### External Environment:

- Variables outside the organization
- Variable forms the context the corporation exists
- Not within the top management's control

**Strengths and  
Weakness**

**Opportunities  
and Threats**

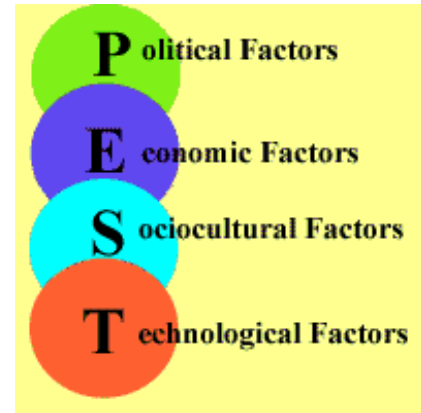


## External Factors

### I - PEST variables:

#### Political/ Legal Factors:

- Monopolies legislation
- Environmental protection laws
- Taxation policy
- Employment laws
- Government policy
- Legislation others?



#### Economic Factors:

- Inflation
- Employment
- Disposable income
- Business cycles
- Energy availability and cost others?

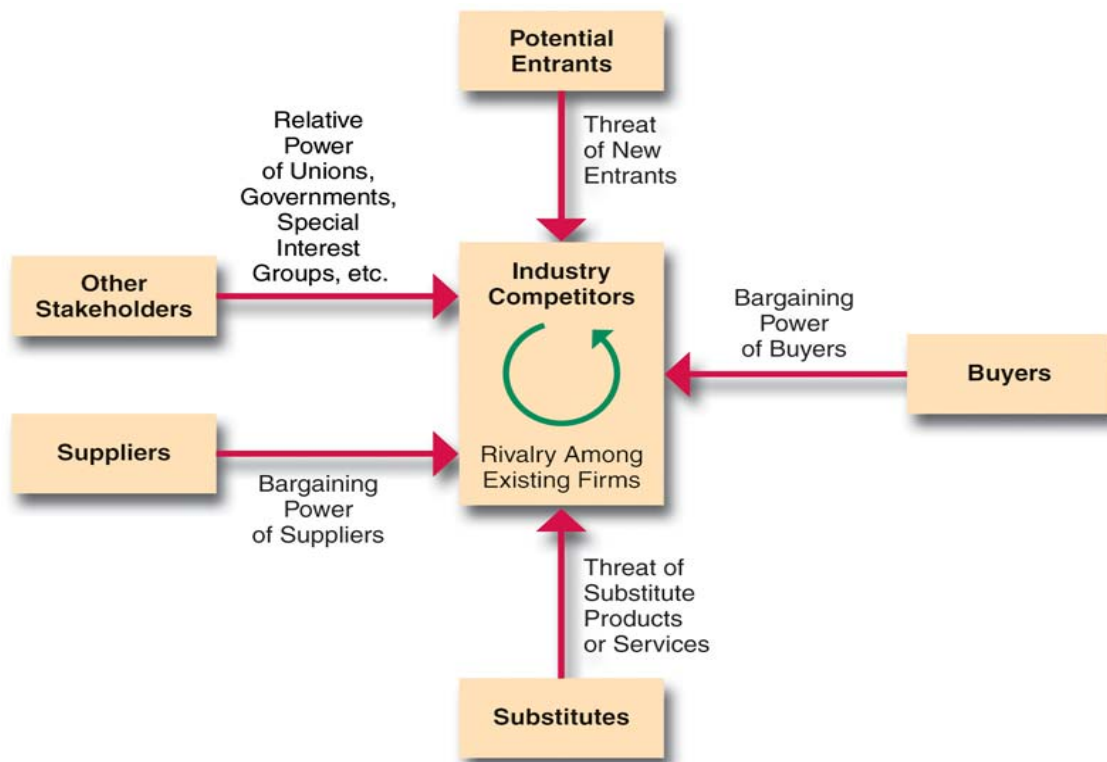
#### Socio-cultural Factors:

- Demographics
- Distribution of income
- Social mobility
- Lifestyle changes
- Levels of education others?

#### Technological Factors:

- New discoveries and innovations
- Speed of technology transfer
- Rates of obsolescence
- Internet
- Information technology others?

## II - Industry Analysis – Michael Porter's Forces



- Threat of new entrants
- Rivalry among existing firms
- Bargaining Power of buyers
- Bargaining power of Suppliers
- Threat of substitute products and service
- Relative Power of Other Stakeholders

## **Industry Analysis: Threat of New Entrants**

- Economies of scale
- Product differentiation
- Capital requirements
- Switching costs
- Access to distribution channels
- Cost disadvantages
- Government policy

## **Industry Analysis: Rivalry among Existing Firms**

- Number of competitors
- Rate of industry growth
- Product or service characteristics
- Amount of fixed costs
- Capacity
- Height of exit barriers
- Diversity of rivals

## **Industry Analysis: Other Forces**

- Threat of Substitute Products or Services
- Bargaining Power of Buyers
- Bargaining Power of Suppliers
- Relative Power of Other Stakeholders

# Internal Environment

## Internal strategic factors

Critical strengths and weaknesses those are likely to determine if the firm will be able to take advantage of opportunities while avoiding threats

➤ **Structure:**

Chain of Command

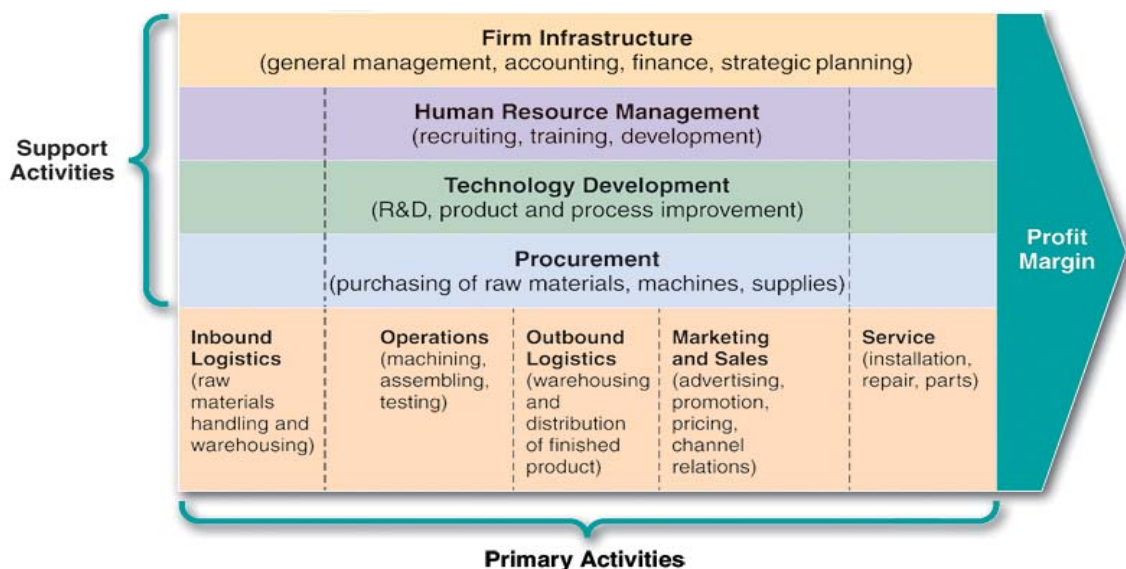
➤ **Culture:**

Beliefs, Expectations, Values

➤ **Resources:**

Assets, skills, competencies, knowledge

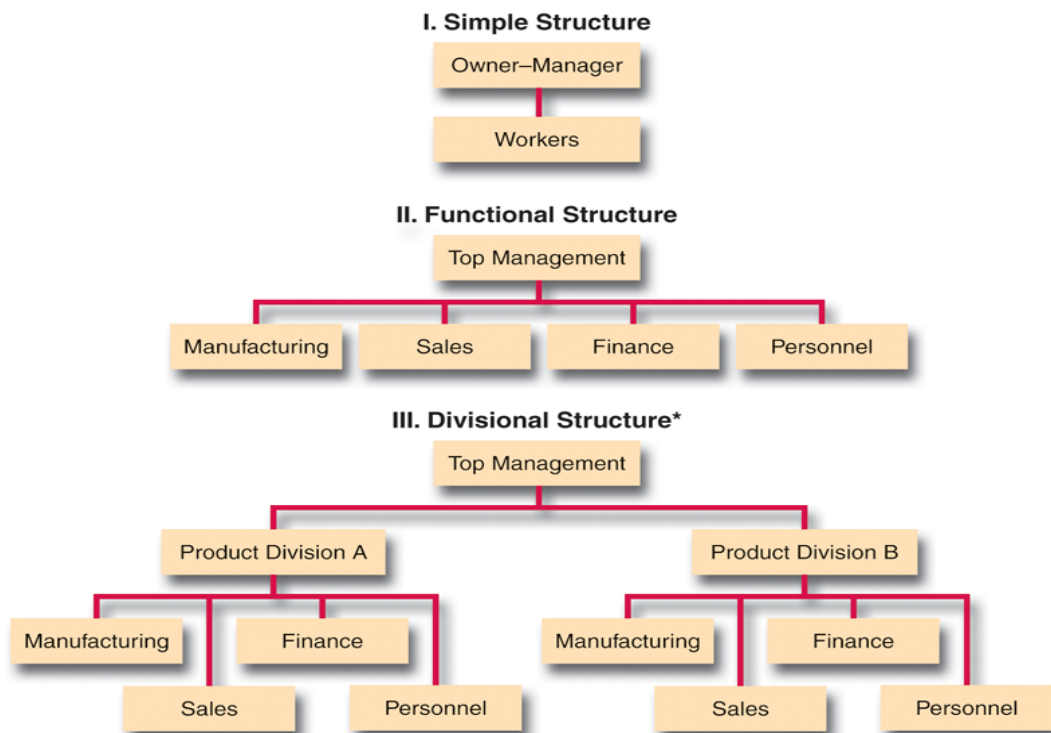
- Resources
- Capabilities
- Competency
- Core competency
- Distinctive competency



## Internal Factors: Structure

### Basic Organizational Structures

- Simple structure
- Functional structure
- Divisional structure
- Strategic business units (SBU's)
- Conglomerate structure



\*Strategic Business Units and the conglomerate structure are variants of the divisional structure.

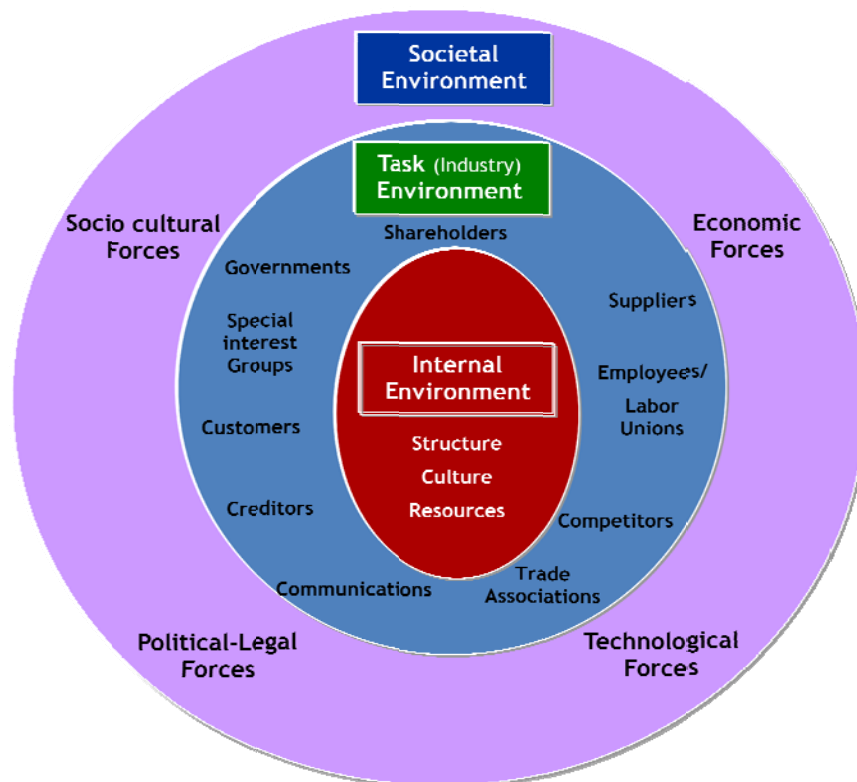
## Internal Environment: Culture

Collection of beliefs, expectations, and values learned and shared by a corporation's members and transmitted from one generation of employees to another

## Internal Environment: Resources

- Resources
- Capabilities
- Competency
- Core competency
- Distinctive competency

## External and Internal Environment



## External and Internal Environment

### External Environment:

***PEST*** variables:

- ✓ **P**olitical
- ✓ **E**conomical
- ✓ **S**ocial
- ✓ **T**echnological

***Industry*** Analysis

### Opportunities and Threats

### Internal Environment:

***Structure:***

Chain of Command

***Culture:***

Beliefs, Expectations, Values

***Resources:***

Assets, skills, competencies, knowledge

### Strength and Weakness

## SWOT Analysis

SWOT Analysis is an acronym that is used to describe particular

- Strengths
- Weaknesses
- Opportunities
- Threats

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

### *Simple rules for successful SWOT analysis*

- Guide, not a prescription
- Distinguish between today and the future
- Avoid grey areas be specific
- Avoid complexity

SWOT summarizes results of market analysis, suggests strategic direction



## **Make Your SWOT**



## Strategy Formulation

## Strategy Formulation

- Is the development of long-range plans for the effective management
- It includes
  - Defining the corporate mission,
  - Specifying achievable objectives,
  - Developing strategies, and
  - Setting policy guidelines.

### **Definition and Concept**

#### **Situational Analysis**

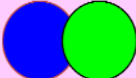
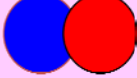
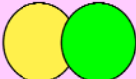
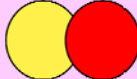
Process of finding a strategic fit between external opportunities and internal strengths while working around external threats and internal weaknesses

## TWOS Matrix

EXTERNAL FACTORS (EFAS)	INTERNAL FACTORS (IFAS)	Strengths (S) List 5 – 10 <i>internal</i> strengths here	Weaknesses (W) List 5 – 10 <i>internal</i> weaknesses here
Opportunities (O) List 5 – 10 <i>external</i> opportunities here		<b>SO Strategies</b> Generate strategies here that use <b>strengths</b> to take <b>advantage of opportunities</b>	<b>WO Strategies</b> Generate strategies here that take <b>advantage of</b> <b>opportunities</b> by <b>overcoming weaknesses</b>
Threats (T) List 5 – 10 <i>external</i> threats here		<b>ST Strategies</b> Generate strategies here that use <b>strengths</b> to <b>avoid threats</b>	<b>WT Strategies</b> Generate strategies here that <b>minimize weaknesses</b> and <b>avoid threats</b>

## SWOT

●	<b>Strengths</b>
●	<b>Opportunities</b>
●	<b>Threats</b>
●	<b>Weaknesses</b>

	<b>Opportunities</b>	<b>Threats</b>
<b>Strengths</b>	Target (build) 	Defend 
<b>Weaknesses</b>	Add capability or partner 	Non-target/Ignore 

## Business Vision and Mission

## Business Vision and Mission

### Vision:

- A **strategic vision** concerns a firm's **future** business path
  - The kind of company it is trying to become
  - Customer needs to be satisfied in the future

### Mission

- A **mission** statement focuses on **current** business activities
  - Business(as) company is in now

## Business Vision and Mission

- ☒ **Vision** A general statement of its intended direction that evokes emotional feelings in organization members.

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- ☒ **Mission** Spells out who the company is, what it does, and where it's headed.

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## Why Do You Need a Vision?

- ✓ Vision is a picture of a future state that guides current behavior.
- ✓ Future vision must be significantly different than the current state.
- ✓ The gap between the current state and future state produces creative energy.

## Properties of an Effective Vision

- ✓ Easy to understand
- ✓ Commonly understood
- ✓ Attracts commitment
- ✓ Inspiring/motivating people
- ✓ Bridges the present and the future
- ✓ Creates meaning in people's lives
- ✓ Realistic, but different from current reality
- ✓ Articulate your organization's reason for existence.

## What is a Vision is not

- ✓ A prophecy
- ✓ A mission
- ✓ Factual
- ✓ True or false
- ✓ Static
- ✓ Constraint on action

## Examples of working Vision

“To Be the Airline other Airlines want to be”... *Singapore airlines*.

“To put a Coke within the reach of everyone” ..... *Coca Cola*.

“To allow ordinary people to buy what rich people can”.... *WalMart*.

“To make London the safest city in the world”..... *Scotland Yard*.

“To give women unlimited opportunities” ..... *Mary Kay Cosmetics*.

## **Why Do We Need Mission?**

- ✓ It provides direction for the company for the next 10-20 years.
- ✓ Defines the fundamental, unique purpose that sets the company apart from other firm.
- ✓ Aligns people towards clear objectives.
- ✓ Communicates the sense of shared purpose.

## **Properties of an Effective Mission**

- ✓ Focus on a limited number of goals.
- ✓ Stress on major policies and values the company wants to honor.
- ✓ Define the major competitive scopes within which the company will operate.

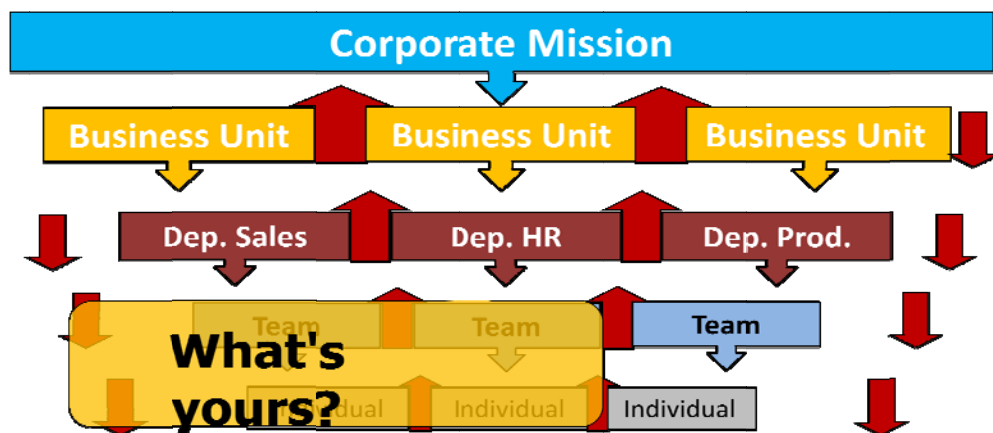
## **Competitive Scope Samples**

- ✓ Industry Scope
- ✓ Product and application Scope
- ✓ Competence Scope
- ✓ Market-Segment Scope
- ✓ Vertical Scope Geographical Scope

## Strategic Management Process Model

### *Objectives cascade on all levels*

- Objectives are set at all levels of organization.
- An objective ensures commitment at the management & employees levels.
- Objectives are then achieved through cascading the corporate or strategic objectives into individual jobs.





## Strategic Formulation

- Is the development of long-range plans for the effective management
- It includes:
  - defining the corporate mission,
  - specifying achievable objectives,
  - developing strategies, and
  - Setting policy guidelines.

## Types of Strategies

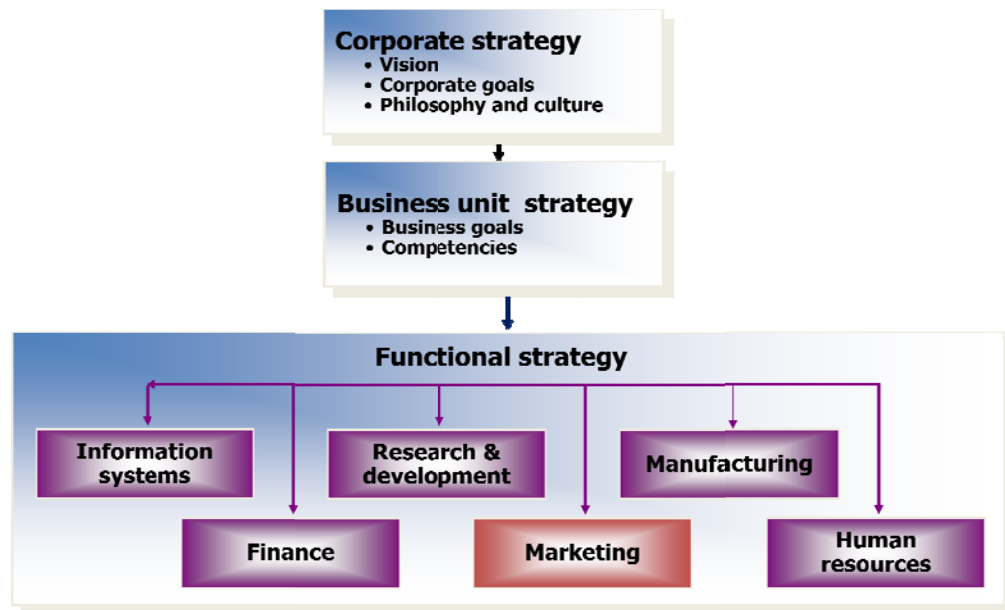
### Hierarchy of Strategy

- Organizational/Corporate
- Business Unit /Division
- Functional



Functional Strategies support Business Strategies, which, in turn, support the corporate strategies

## Three Levels of Strategy



## Corporate-level Strategy

*3 key issues*



## **Corporate Directional Strategy**

Describes a company's overall direction in terms of its general attitude toward growth and management of its various businesses and product lines.

- **Growth**
- **Stability**
- **Retrenchment**

### **Growth Strategies**

- Expanding market
- Opportunity to increase profits
- Growing to survive
- Mergers, acquisition, strategic alliance

### **Stability Strategies**

- Predictable market
- Small business having a niche
- Useful on short term
- Dangerous on long term

### **Retrenchment Strategies**

- Weak competitive position
- Poor performance
- Reforms are beyond reach

## **Types of Strategies**

### **Corporate directional strategy**

#### **– External mechanisms**

- **Mergers**
- **Acquisitions**
- **Strategic Alliances**

#### **▪ Merge:**

- A merge is a strategy through which two firms agree to integrate their operations on a relatively co-equal basis because they have reasons and capabilities that together may create a stronger competitive advantage.

#### **▪ Acquisition:**

- An acquisition is a strategy through which one firm buys a controlling or 100% in another firm with the intent of using a core competence more effectively by making the acquired firm a subsidiary business within portfolio.

#### **▪ Strategic Alliance:**

- A strategic alliance is a partnership of two or more corporations or business units to achieve strategically significant objectives that are mutually beneficial.

## Corporate directional strategy

### Growth Strategies

#### 1- Concentration

- ✓ Concentration of resources on the current product line(s) in one industry
- **Vertical growth**
- **Horizontal growth**

#### Vertical growth:

- Taking over a function previously provided by a supplier or a distributor
- Making own supplies and/or distribution
- To reduce costs, gain control, guarantee quality, gain access to a specific customer

#### Horizontal growth:

- Expanding firm's products into other geographical locations
- And/or increasing range of products and services offered to current market

#### 2- Diversification

- ✓ Diversification into other product lines in other industries
- **Concentric diversification**
- **Conglomerate diversification**

**Concentric diversification:**

- Investment into a related industry
- Using company's strengths and skills accumulated within current industry

**Conglomerate diversification:**

- Investment into unrelated industry
- The current industry is unattractive and skills are inappropriate to compete

**Corporate directional strategy****Stability Strategies****Pause/proceed with caution strategy**

- A timeout: an opportunity to rest before continuing a growth or a retrenchment
- A temporary strategy till environment become more hospitable or to consolidate resources after prolonged rapid growth

**No-change strategy**

- To do nothing new
- Lack of significant change in the corporation's situation
- Rarely considered as a real strategy

**Profit strategy**

- To do nothing new in a worsening situation but to act as the corporation's problems are temporary
- Support profit when sales are declining by reducing costs and investment

## Corporate directional strategy

### Retrenchment Strategies

#### ✓ Turnaround strategy

- Improvement of operational efficiency after a break
- Corporation's problems are pervasive but not yet critical
- Two consecutive steps:
  1. Contraction: a cross-the-board cutback in size and costs
  2. Consolidation: stabilize and streamline the now-learner corporation

#### ✓ Captive company strategy

- Giving up independence in exchange of security
- Offer to be a captive company to one of larger customer in order to guarantee existence
- Reduction of some functional activities

#### ✓ Sell-out/divestment

- Selling the company for another firm
- Selling out for a good price for its shareholders and employees keep their jobs
- Purchasing company may have resources to return the sold company into profitability again

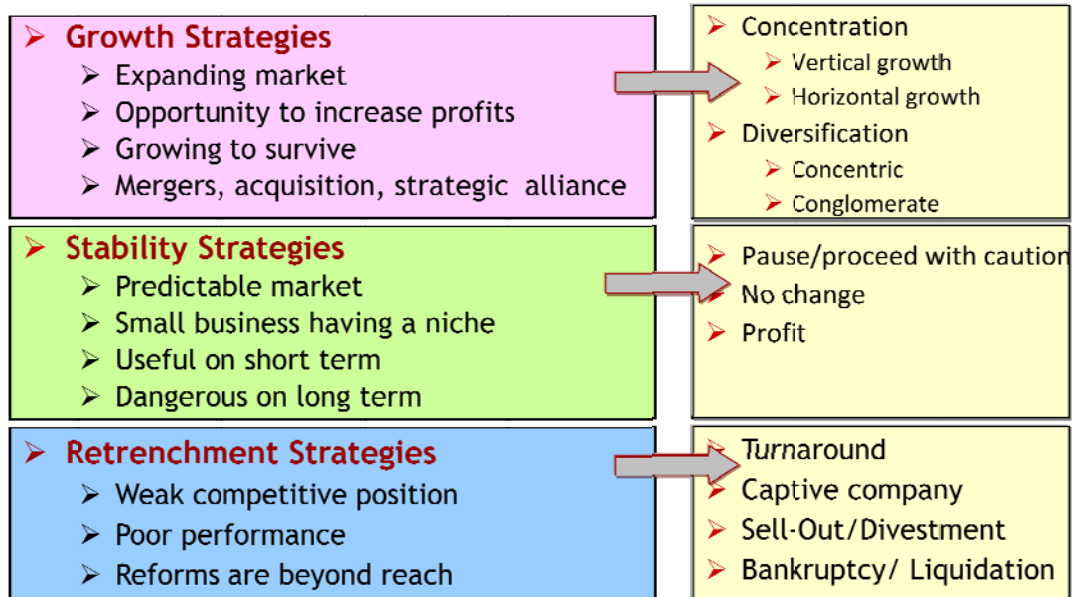
#### ✓ Divestment

- Company has multiple business lines and choose to sell off a division with low growth potential

#### ✓ Bankruptcy/liquidation strategy

- Worst situation; weak company in an unattractive market
- Bankruptcy
  - Giving up management of firm to courts in rerun of some settlement of company's obligations
- **Liquidation**
  - Termination of company by board of directors not courts

## Corporate Directional Strategies





## ***Strategic Business Units (SBU)***

- ✓ To make planning more effective, a large, diverse organization may divide itself into smaller planning units called **Strategic Business Units**
- ✓ The unit should:
  - Be a separately identifiable business
  - Have a distinct mission
  - Have separate competitors
  - Have a separate group of executives charged with profit responsibility
  - Have its own strategic plan

## **Business portfolio and Portfolio Analysis**

### **Corporate Headquarters Planning in SBUs**

- Define the corporate mission
- Establish strategic business units (SBUs)
- Assign resources to SBUs
- Plan new business, downsize older businesses
- Business portfolio: the collection of businesses and products that make up the company
- Portfolio analysis: To assess the attractiveness of its various SBI and decide how much support each deserves

### **Portfolio management techniques**

- Methods that diversified organizations use to make decisions about what businesses to engage in and how to manage these multiple businesses to maximize corporate performance.

## **Two important portfolio management techniques**

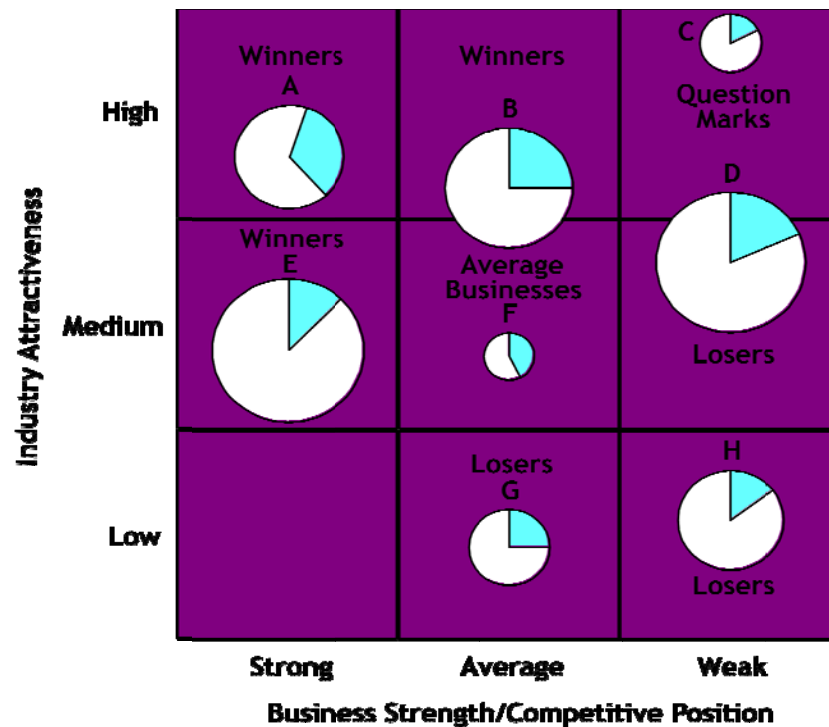
- I. The BCG (Boston Consulting Group) Matrix
- II. The GE (General Electric) Business Screen

### **I -The Boston Consulting Group Matrix**

- ✓ Using this model, a strategic business unit (SBU) can be classified according to two factors:
  - its market share relative to competitors, and
  - The growth rate of the industry in which the SBU operates.The resulting 2 x 2 grid has 4 quadrants that represent distinct categories of SBUs or major products.
- ✓ Each category is assigned a name that reflects its market share, industry growth rate, cash needs, and appropriate strategies.
- ✓ A company should seek a balanced portfolio of SBUs with a mix of:
  - Stars,
  - Cash cows, and
  - Questions marks,
  - But hopefully no Dogs

## II - GE Business Screen

- GE Business Screen
  - A method of evaluating business in a diversified portfolio along two dimensions, each of which contains multiple factors:
    - Industry attractiveness.
    - Competitive position (strength) of each firm in the portfolio.
  - In general, the more attractive the industry and the more competitive a business is, the more resources an organization should invest in that business.



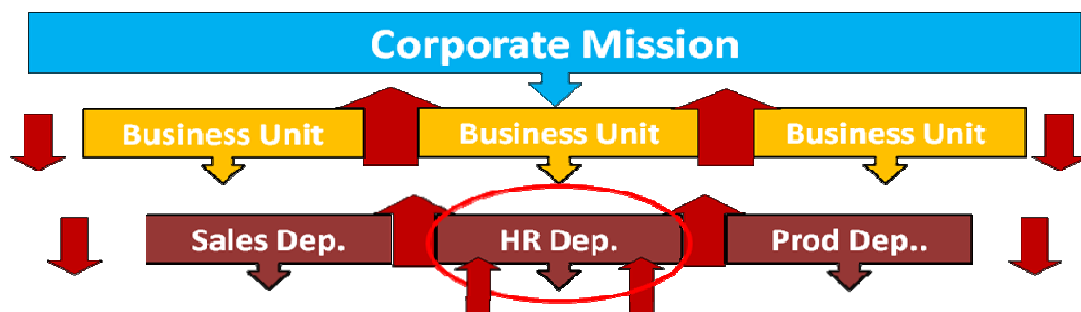
## Business-level/Competitive Strategy

Identifies how to build and strengthen the business's long-term competitive position in the marketplace.

- ✓ **Cost leadership** the enterprise aims to become the low-cost leader in an industry.
- ✓ **Differentiation** a firm seeks to be unique in its industry along dimensions that are widely valued by buyers.
- ✓ **Focus** a firm seeks to carve out a market niche, and compete by providing a product or service customers
- ✓ Differentiation strategy: ex.: Apple computer uses a differentiation competitive strategy that emphasizes innovative products with creative design., the distinctive design and colors of its iMac line of personal computers (when contrasted with the usual beige of the competitor's products) has successfully boosted the company's market share and profits, In contrast, British Airways followed a cooperative strategy by forming an alliance with American Airlines in order to provide global service.

## Functional Strategies

They are the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity.



- Linking of HRM with strategic goals and objectives in order to support business performance and develop organizational cultures that foster its success

## Using Resources to gain Competitive advantage

### Competitive advantage

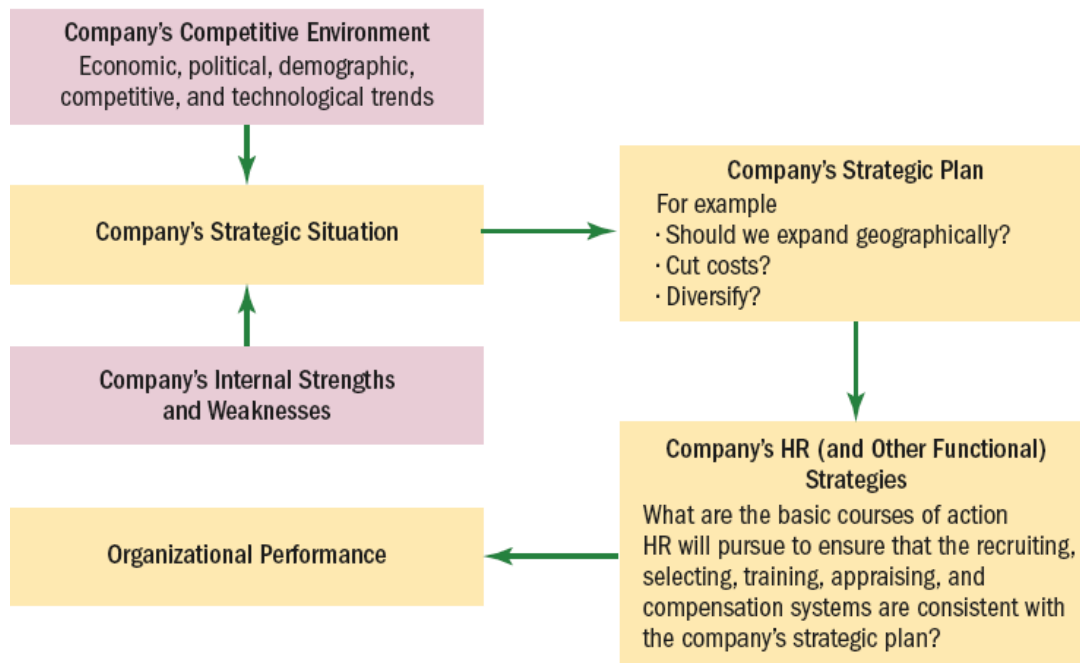
- Any factors that allow an organization to differentiate its product or service from those of its competitors to increase market share.
- Superior human resources are an important source of competitive advantage

Corporate capabilities: (often called Core Competencies) - are things that a corporation can do exceedingly well.

Distinctive Capabilities /Competencies - are things that a corporation can do superior to those of competitors.

## How HRM Relates to the Strategies

- Linking of HRM with strategic goals and objectives
- HR objectives affect the business performance
- Develop organizational cultures that foster innovation and flexibility.
- Formulating and executing HR systems—HR policies and activities—that produce the employee competencies and behaviors the company needs to achieve its strategic aims.



- Emphasizes the “fit” point of view that all of the firm’s activities must be tailored to or fit its strategy, by ensuring that the firm’s functional strategies support its corporate and competitive strategies.
- Gary Hamel and C. K. Prahalad Argue for “stretch” in leveraging resources—supplementing what you have and doing more with what you have—can be more important than just fitting the strategic plan to current resources.

## HR's Strategic Roles

- HR professionals should be part of the firm's strategic planning executive team.
  - Identify the human issues that are vital to business strategy.
  - Help establish and execute strategy.
  - Provide alternative insights.
  - Are centrally involved in creating responsive and market-driven organizations.
  - Conceptualize and execute organizational change.
- The HR department's strategies, policies, and activities must make sense in terms of the company's corporate and competitive strategies, and they must support those strategies.
- HR helps top management formulate strategy in a variety of ways by.
  - Supplying competitive intelligence that may be useful in the strategic planning process.
  - Supplying information regarding the company's internal human strengths and weaknesses.
  - Build a persuasive case that shows how—in specific and measurable terms—the firm's HR activities can and do contribute to creating value for the company.
- Components of the HR process
  - HR professionals who have strategic and other skills
  - HR policies and activities that comprise the HR system itself
  - Employee behaviors and competencies that the company's strategy requires

## Strategy Alternatives

- ✓ Operational Excellence
- ✓ Product Leadership
- ✓ Customer Intimacy

## Translating Strategy into HR Policy and Practice

### Basic Model of How to Align HR Strategy and Actions with Business Strategy

**Formulate Business Strategy**  
"What are the strategic goals of the business?"



**Identify Workforce Requirements**  
"What employee competencies and behaviors must HR deliver to enable the business to reach its goals?"



**Formulate HR Strategic Policies and Activities**  
"Which HR strategies and practices will enable HR to produce these employee competencies and behaviors?"



**Develop Detailed HR Scorecard Measures**  
"How can HR measure whether it is executing well for the business, in terms of producing the required workforce competencies and behaviors?"



## Operational Excellence

Deliver combination of price, quality, dependability and ease of purchase competitors cannot match.

### Characteristics

- ✓ Abhor waste/ revere efficiency.
- ✓ Reliable execution/ Compliance with norms.
- ✓ Standardized operations.

**Q:** What types of employees do we hire, how do we train/develop and what do we reward for?

## Product Leadership

Offer the best/newest products first; import/adopt technologies early.

### Characteristics

- Focus on innovation and early to market.
- ✓ Culture encourages imagination.
- ✓ Structure and hoc and loosely organized.
- ✓ Experimentation not punished.

**Q:** What types of employees do we hire, how do we train/develop and what do we reward for?

## Customer Intimacy

Build bonds with chosen customers – know needs and meet to build loyalty.

### Characteristics

- Culture encourages deep customer bonds.
- ✓ Systems focused on key customers.
- ✓ Decisions in hands of those close to customer.
- ✓ Obsession with solution development.

**Q:** What types of employees do we hire, how do we train/develop and what do we reward for?

## The HR Scorecard Approach

➤ HR scorecard

- Measures the HR function's effectiveness and efficiency in producing employee behaviors needed to achieve the company's strategic goals.

## ➤ Creating an HR scorecard

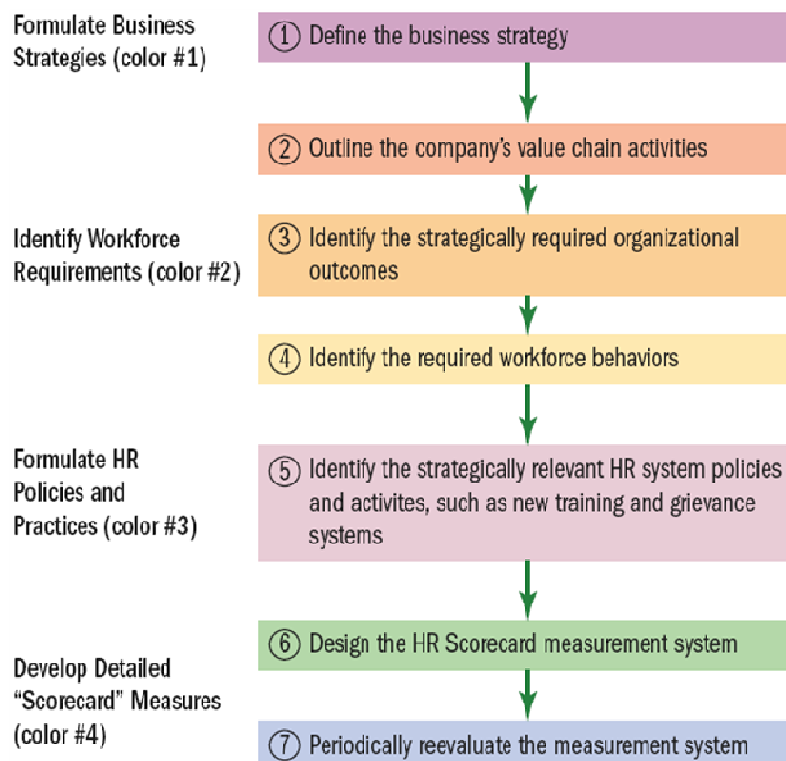
- Must know what the company's strategy is.
- Must understand the causal links between HR activities, employee behaviors, organizational outcomes, and the organization's performance.
- Must have metrics to measure all the activities and results involved.

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# The HR Scorecard Approach

- Step 1: Define the Business Strategy
- Step 2: Outline the Company's Value Chain
- Step 3: Identify the Strategically Required Organizational Outcomes
- Step 4: Identify the Required Workforce Competencies and Behaviors
- Step 5: Identify the Strategically Relevant HR System Policies and Activities
- Step 6: Design the HR Scorecard Measurement System
- Step 7: Periodically Evaluate the Measurement System

## The HR Scorecard Approach to Formulating HR Policies, Activities, and Strategies



# Organizational Development

## Definition

Organization development is the process through which an organization develops the internal capacity to most efficiently and effectively provide its mission work and to sustain itself over the long term. Michael Porter

## Characteristics of Effective Organizations

- ✓ Good Fit to context.
- ✓ Co-evolve with environment.
- ✓ Requisite variety of capabilities.
- ✓ Dynamic, Flexible strategies.
- ✓ Adequate learning capacity.
- ✓ Appropriate capital, well managed.

## Organizational Success through people

- ✓ Shared purpose through the vision and mission.
- ✓ Alignment and engagement, individual objectives, participation in decision making and formulating of systems and giving feedback.
- ✓ Realization: knows what is expected from them, from the job description and the regular performance appraisals.
- ✓ Diversity.
- ✓ Growth and learning.

## **Factors Impacting Employee Effectiveness**

(Gallup in the U.S.)

- ✓ Knowing what is expected.
- ✓ Having materials required.
- ✓ Opportunity to do.
- ✓ Receiving recognition.
- ✓ Someone cares.
- ✓ Someone encourages development.

My Notes

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**MODULE**

**2**

**Human Resources Management**

**Learning Objectives**

- Human Resource Management
- Different Roles for HRM
- HR from Supporting Function to Strategic Partner
- Changing Roles of HR Management
- HR Strategy Alternatives
- HR Responsibilities
- Functions of the HR
- Explain the different HRM functions

## Human Resources Management

- ✓ Linking of HRM with strategic goals and objectives
- ✓ HR objectives affect the business performance
- ✓ Develop organizational cultures that foster innovation and flexibility.
- ✓ Formulating and executing HR systems—HR policies and activities—that produce the employee competencies and behaviors the company needs to achieve its strategic aims.

## Human Resources Management

- ✓ The design of formal systems in an organization to ensure effective and efficient use of human talent to accomplish organizational goals.
- It is the process of
  - Acquiring,
  - Training and development,
  - Appraising, and
  - Compensating Employees and
  - Attending to their labor relations, health and safety, and fairness concerns.





# **HR from Supporting Function to Strategic Partner**

## **Most common Perception – Personnel Function**

1. A Labor Law
2. Social Insurance
3. Employees Files
4. Bonus and Penalties
5. Hire and Fire

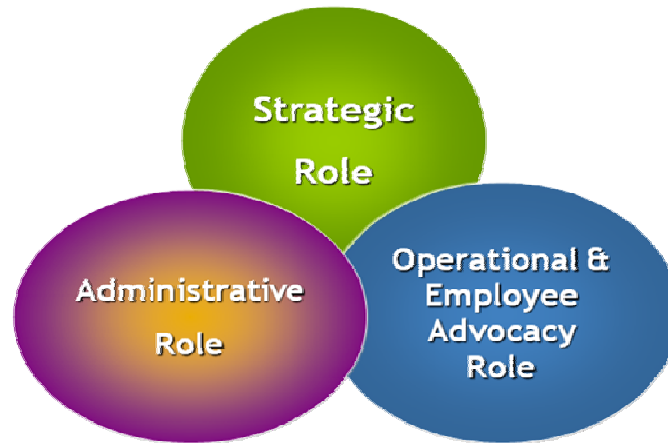
## **Most Practiced - Supporting Function**

1. Recruitment
2. Training
3. Performance Appraisal
4. Compensation
5. Benefits
6. Policy Compliance

## **Least Understood & Rarely Practiced: - Strategic Partner**

1. Organizational Interventions
2. Performance Management
3. Training Needs Assessment
4. Retention Plans
5. Cultural Interventions

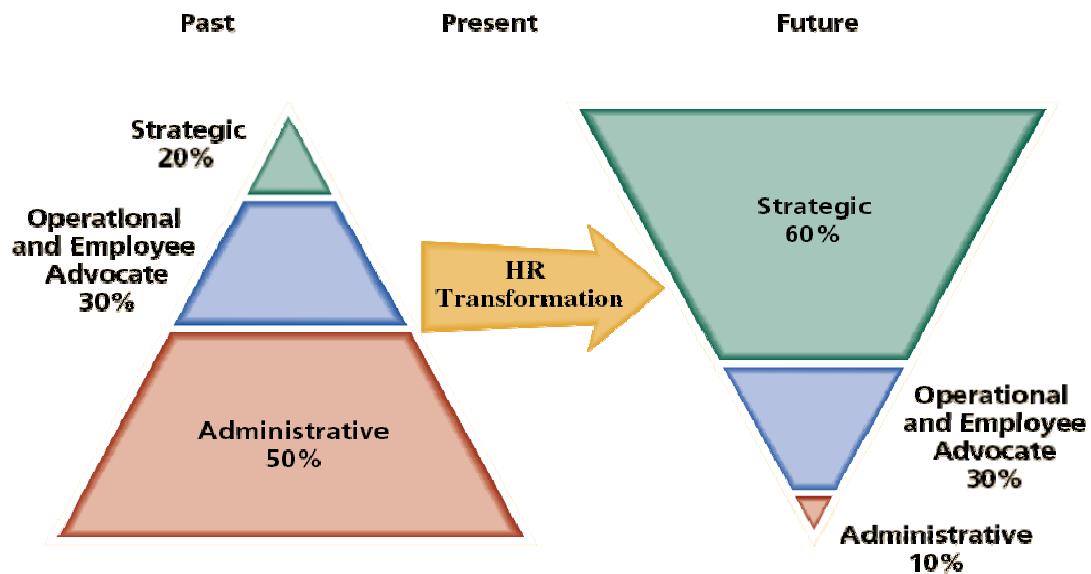
## Different Roles for HRM



## Overview of HRM Roles

	Administrative Role	Operational and Advocacy Roles	Strategic Role
<b>Focus</b>	Administrative processing and record keeping	Operational support Representing the employees	Organization-wide, global
<b>Timing</b>	Short term (less than 1 year)	Intermediate term (1–2 years)	Longer term (2–5 years)
<b>Typical Activities</b>	<ul style="list-style-type: none"><li>• Administering employee benefits</li><li>• Conducting new employee orientations</li><li>• Interpreting HR policies and procedures</li><li>• Preparing equal employment reports</li></ul>	<ul style="list-style-type: none"><li>• Managing compensation programs</li><li>• Recruiting and selecting for current openings</li><li>• Conducting safety training</li><li>• Resolving employee complaints</li><li>• Representing employee concerns</li></ul>	<ul style="list-style-type: none"><li>• Assessing workforce trends and issues</li><li>• Engaging in community workforce development planning</li><li>• Assisting in organizational restructuring and downsizing</li><li>• Advising on mergers or acquisitions</li><li>• Planning compensation strategies</li></ul>

## Changing Roles of HR Management



## Basic HRM Concepts

### Getting results

The bottom line of managing

- ✓ HR creates value by engaging in activities that produce the employee behaviors the company needs to achieve its strategic goals.



### HR Responsibilities – Line & Staff Aspects of HR

#### Line manager

- ✓ A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

#### Staff manager

- ✓ A manager who assists and advises line managers.

## Line Managers' HRM Responsibilities

1. Placing the right person on the right job
2. Starting new employees in the organization (orientation)
3. Training employees for jobs new to them
4. Improving the job performance of each person
5. Gaining creative cooperation and developing smooth working relationships
6. Interpreting the firm's policies and procedures
7. Controlling labor costs
8. Developing the abilities of each person
9. Creating and maintaining department morale
10. Protecting employees' health and physical condition

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## **Functions of the HR Manager**

### **A line function**

- ✓ The HR manager directs the activities of the people in his or her own department and in related service areas (like the plant cafeteria).

### **A coordinative function**

- ✓ HR managers also coordinate personnel activities, a duty often referred to as functional control.

### **Staff (assist and advise) functions**

- ✓ Assisting and advising line managers is the heart of the HR manager's job.

## **HR and Authority**

### **Authority**

- ✓ The right to make decisions, directs others' work, and gives orders.

### **Implied Authority**

- ✓ The authority exerted by an HR manager by virtue of others' knowledge that he or she has access to top management.

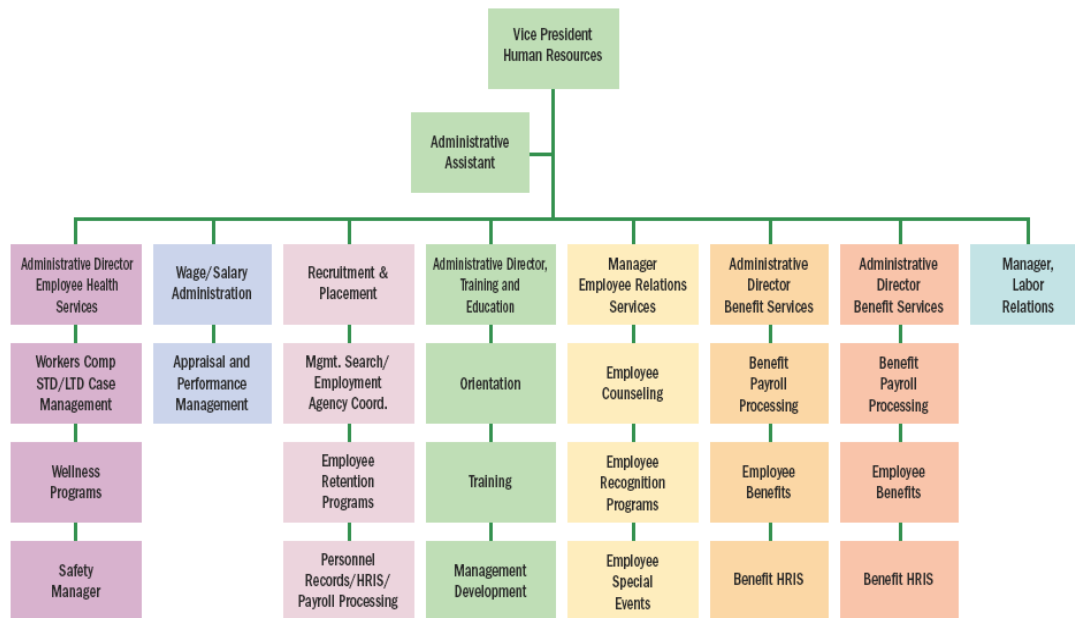
### **Line Authority**

- ✓ The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas.

## Examples of HR Job duties

- Recruiters
  - Search for qualified job applicants.
- Equal employment opportunity (EEO) coordinators
  - Investigate and resolve EEO grievances, examine organizational practices for potential violations, and compile and submit EEO reports.
- Job analysts
  - Collect and examine information about jobs to prepare job descriptions.
- Compensation managers
  - Develop compensation plans and handle the employee benefits program.
- Training specialists
  - Plan, organize, and direct training activities.
- Labor relations specialists
  - Advise management on all aspects of union–management relations.

## HR Department Organizational Chart



## Personnel Mistakes

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your company in court because of discriminatory actions
- Have your company cited by OSHA for unsafe practices
- Have some employees think their salaries are unfair and inequitable relative to others in the organization
- Allow a lack of training to undermine your department's effectiveness
- Commit any unfair labor practices



**MODULE**

**3**

**Human Resources Management**

**Learning Objectives**

- Discuss the nature of job analysis
- Different methods of collecting job analysis
- Write job descriptions
- Specify job specification from the job description
- Understanding competency framework

# Job Analysis

## The Nature of Job Analysis

### Job analysis

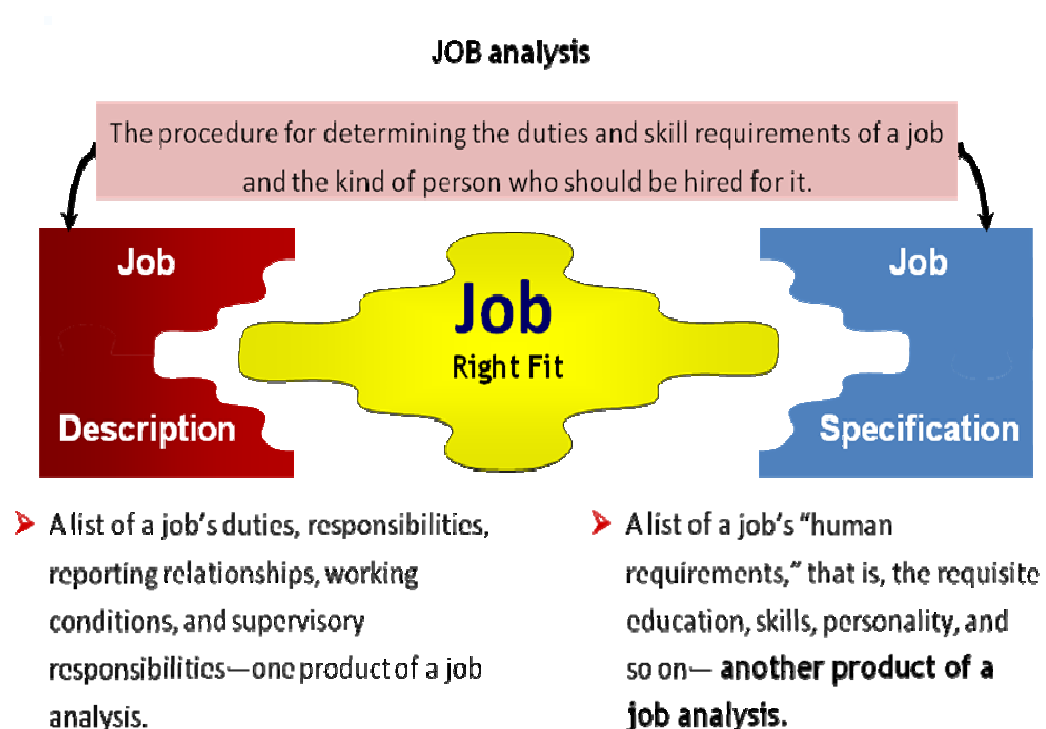
- ✓ The procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.

### Job description

- ✓ A list of a job's duties, responsibilities, reporting relationships, working conditions, and supervisory responsibilities—one product of a job analysis.

### Job specifications

- ✓ A list of a job's "human requirements," that is, the requisite education, skills, personality, and so on—another product of a job analysis.



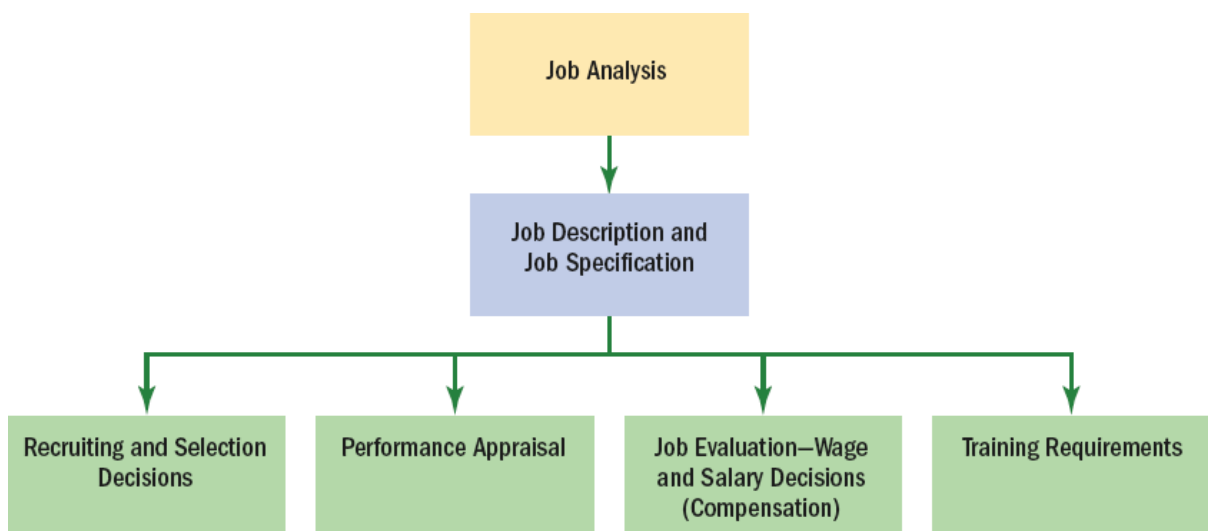
## Types of Information Collected

- ✓ Work activities
- ✓ Human behaviors
- ✓ Machines, tools, equipment, and work aids
- ✓ Performance standards
- ✓ Job context
- ✓ Human requirements

## Uses of Job Analysis Information

- ✓ Recruitment and Selection
- ✓ Compensation
- ✓ Performance Appraisal
- ✓ Training
- ✓ Discovering Unassigned Duties
- ✓ Legal Compliance

## Uses of Job Analysis Information



## Steps in Job Analysis

- Step 1:** Decide how you'll use the information.
- Step 2:** Review relevant background information.
- Step 3:** Select representative positions.
- Step 4:** Actually analyze the job.
- Step 5:** Verify the job analysis information.
- Step 6:** Develop a job description and job specification.

## Charting the Organization

### Organization chart

A chart that shows the organization wide distribution of work, with titles of each position and interconnecting lines that show who reports to and communicates to whom.

### Process chart

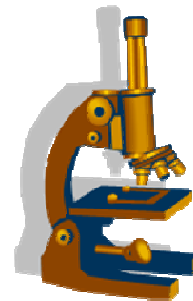
A work flow chart that shows the flow of inputs to and outputs from a particular job.



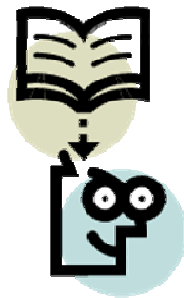
## Data Collection Tools/ Techniques



**Interviews**



**Direct  
Observations**



**Questionnaires**



**Diaries or Logs**

## The Interview

### Information sources

- ✓ Individual employees
- ✓ Groups of employees
- ✓ Supervisors with knowledge of the job

### Advantages

- ✓ Quick, direct way to find overlooked information.

### Disadvantages

- ✓ Distorted information

### Interview formats

- ✓ Structured (Checklist)
- ✓ Unstructured

## Important interview Guidelines

- ✓ Identify the workers who know the job best.
- ✓ Quickly establish rapport with the interviewee.
- ✓ Follow a structured guide or checklist.
- ✓ Ask open ended-questions.
- ✓ Ask the worker to list his or her duties in order of importance and frequency of occurrences.
- ✓ After completing the interview review and verify the data.

## Questionnaires

### **Information Source**

Have employees fill out questionnaires to describe their job-related duties and responsibilities.

### **Questionnaire Formats**

- ✓ Structured checklists
- ✓ Opened-ended questions

### **Advantages**

Quick and efficient way to gather information from large numbers of employees

### **Disadvantages**

Expense and time consumed in preparing and testing the questionnaire

## Observation

### **Information Source**

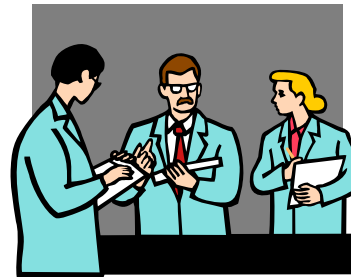
Observing and noting the physical activities of employees as they go about their jobs.

### **Advantages**

- ✓ Provides first-hand information
- ✓ Reduces distortion of information

### **Disadvantages**

- ✓ Time consuming
- ✓ Difficulty in capturing entire job cycle
- ✓ Of little use if job involves a high level of mental activity.



## Participant Diary/Logs

### **Information Source**

Workers keep a chronological diary/ log of what they do and the time spent in each activity.

### **Advantages**

- ✓ Provides first-hand information
- ✓ Reduces distortion of information

### **Disadvantages**

- ✓ Time consuming
- ✓ Difficulty in capturing entire job cycle
- ✓ Of little use if job involves a high level of mental activity.

My notes





## Quantitative Job Analysis Techniques

### The position analysis questionnaire (PAQ)

A questionnaire used to collect quantifiable data concerning the duties and responsibilities of various jobs.

### The Department of Labor (DOL) procedure

A standardized method by which different jobs can be quantitatively rated, classified, and compared.

### Functional job analysis

Takes into account the extent to which instructions, reasoning, judgment, and mathematical and verbal ability are necessary for performing job tasks.

## Writing Job Descriptions

### What is Job Description?

A job description is a written statement of what the worker actually does, how he or she does it, and what the job's working conditions are.

### What are the contents of Job Description?

#### Sections of a typical job description

- ✓ Job identification (*Code*)
- ✓ Job summary
- ✓ Responsibilities and duties
- ✓ Relationships
- ✓ Authority of incumbent (*Autonomy Level*)
- ✓ Standards of performance (*Key success factors*)
- ✓ Working conditions
- ✓ Job specifications (*KSABs*) and, *Minimum qualifications (Education, Years of experience, license)*
- ✓ OMNI Statement

## **Job Description's Content**

### **Job Identification**

- ✓ Job title: name of job
- ✓ FLSA status section: Exempt or nonexempt
- ✓ Preparation date: when the description was written
- ✓ Prepared by: who wrote the description
- ✓ Its code

### **Job Summary**

- ✓ Describes the general nature of the job
- ✓ Lists the major functions or activities

### **Responsibilities and duties**

- ✓ A listing of the job's major responsibilities and duties (essential functions)
- ✓ Defines limits of jobholder's decision-making authority, direct supervision, and budgetary limitations.

### **Standard Occupational Classification**

- ✓ Classifies all workers into one of 23 major groups of jobs which are subdivided into 96 minor groups of jobs and detailed occupations.

### **Standards of performance and working conditions**

- ✓ Lists the standards the employee is expected to achieve under each of the job description's main duties and responsibilities.

### **Specifications for trained personnel**

- ✓ Focus on traits like length of previous service, quality of relevant training, and previous job performance.

### **Specifications for untrained personnel**

- ✓ Focus on physical traits, personality, interests, or sensory skills that imply some potential for performing or for being trained to do the job.

### **Specifications Based on Judgment**

- ✓ Self-created judgments (common sense)
- ✓ List of competencies in Web-based job descriptions (e.g., [www.jobdescription.com](http://www.jobdescription.com))
- ✓ O\*NET online
- ✓ Standard Occupational Classification

### **Specifications Based on Statistical Analysis**

Attempts to determine statistically the relationship between a predictor or human trait and an indicator or criterion of job effectiveness.

### **Specifications Based on Judgment**

- ✓ Self-created judgments (common sense)
- ✓ List of competencies in Web-based job descriptions (e.g., [www.jobdescription.com](http://www.jobdescription.com))
- ✓ O\*NET online
- ✓ Standard Occupational Classification

### **Specifications Based on Statistical Analysis**

Attempts to determine statistically the relationship between a predictor or human trait and an indicator or criterion of job effectiveness.

## **Steps in the Statistical Approach**

- ✓ Analyze the job and decide how to measure job performance.
- ✓ Select personal traits that you believe should predict successful performance.
- ✓ Test candidates for these traits.
- ✓ Measure the candidates' subsequent job performance.
- ✓ Statistically analyze the relationship between the human trait and job performance.

## **Writing Job Specifications**

- Step 1. Decide on a Plan
- Step 2. Develop an Organization Chart
- Step 3. Use a Job Analysis/Description Questionnaire
- Step 4. Obtain Lists of Job Duties from O\*NET
- Step 5. Compile the Job's Human Requirements from O\*NET
- Step 6. Complete Your Job Description

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## **Job Design**

### **From Specialized to Enlarged Jobs**

#### Job Enlargement

- ✓ Assigning workers additional same level activities, thus increasing the number of activities they perform.

#### Job Enrichment

- ✓ Redesigning jobs in a way that increases the opportunities for the worker to experience feelings of responsibility, achievement, growth, and recognition.

#### Job Rotation

- ✓ Moving a trainee from department to department to broaden his or her experience and identify strong and weak points to prepare the person for an enhanced role with the company
- ✓ Systematically moving workers from one job to another to enhance work team performance.

## **Uses of Job Design**

- ✓ Manpower planning
- ✓ Career Planning
- ✓ De-Jobbing jobs

This “Dejobbing” is a global phenomenon, as “The New Workplace” illustrates.

## Why Managers are Dejobbing Their Companies

### **Internal factors leading to dejobbing**

- ✓ Flatter organizations
- ✓ Work teams

### **External factors leading to dejobbing**

- ✓ Rapid product and technological change
- ✓ Global competition
- ✓ Deregulation,
- ✓ Political instability,
- ✓ Demographic changes
- ✓ Rise of a service economy.

## Competency-Based Job Analysis

### Competencies

Demonstrable characteristics of a person that enable performance of a job.

### Competency-based job analysis

Describing a job in terms of the measurable, observable, behavioral competencies (knowledge, skills, and/or behaviors) an employee must exhibit to do a job well.

### **Why Use Competency Analysis?**

#### ✓ **To support HPWS**

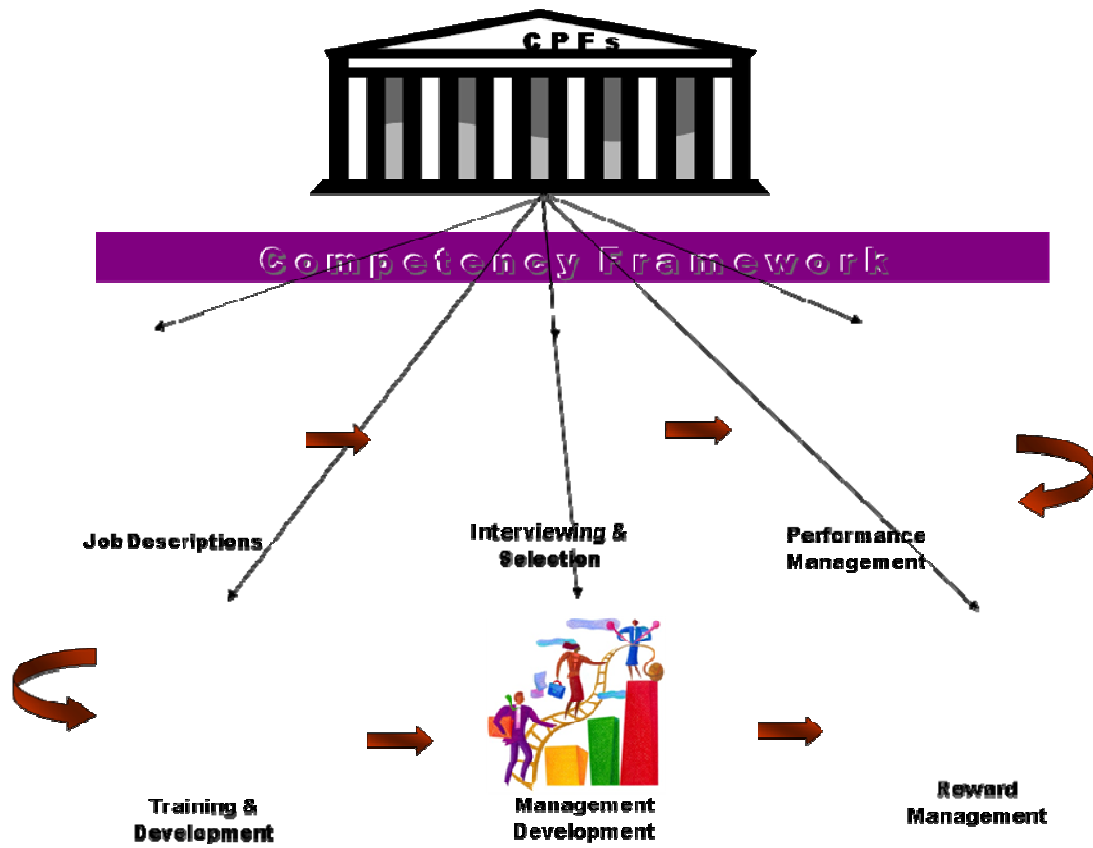
Traditional job descriptions (with their lists of specific duties) may actually backfire if a high-performance work system is the goal.

#### ✓ **Maintain a strategic focus**

Describing the job in terms of the skills, knowledge, and competencies the worker needs is more strategic.

#### ✓ **Measuring performance**

Measurable skills, knowledge, and competencies are the heart of any company's performance management process.



## What is Competency Framework?

### Building Competency-based HRM Function

- ✓ A set of **Values & Competencies** extracted from the organization's vision and strategic directions.
- ✓ It reflects the **behaviors** required from all organization **employees**, across all **positions** at all different **levels** in the organization
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- ✓ It reflects the **behaviors** required from all organization **employees**, across all **positions** at all different **levels** in the organization



## Values

They are the organization's main **principles & beliefs** which reflect organization direction & reason for its existence.

- ✓ Quality Orientation
- ✓ Loyalty & Ownership
- ✓ Integrity
- ✓ Managing a Sense of Purpose
- ✓ Environmental Health & Safety

## Competencies

A Competency is a collective term used to identify a set of skills, knowledge, attitudes and behaviors necessary to fulfilling a task, activity or a career.

## Core Competencies

Behaviors and attitudes required by all individuals at all levels in the organization to ensure a homogeneous culture that fosters a productive working environment to achieve the companies' vision

## Functional Competencies

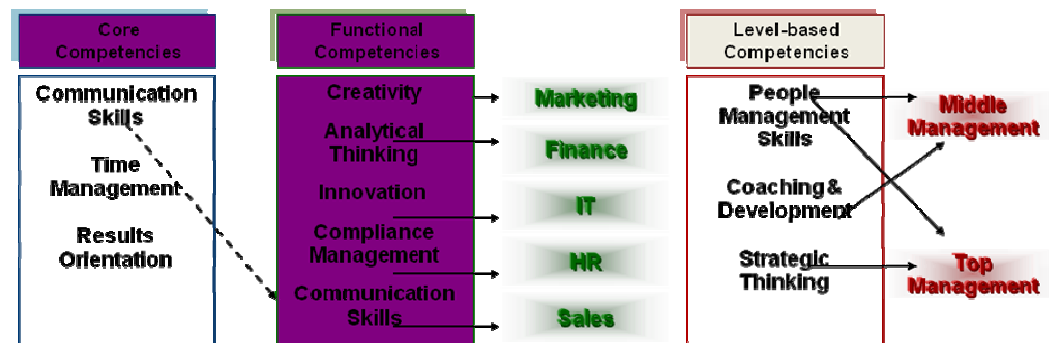
They are the functional skills required by individuals in certain functions/ departments to undertake their jobs at the required level of efficiency to achieve the departments' objectives and ultimately the organization vision

## Managerial Competencies

Managerial competencies required by individuals holding management positions across all functions.

# Competencies Types

## 1- Building Competency-based HRM Function



## **MODULE**

# **4**

## **Personal Planning & Recruitment**

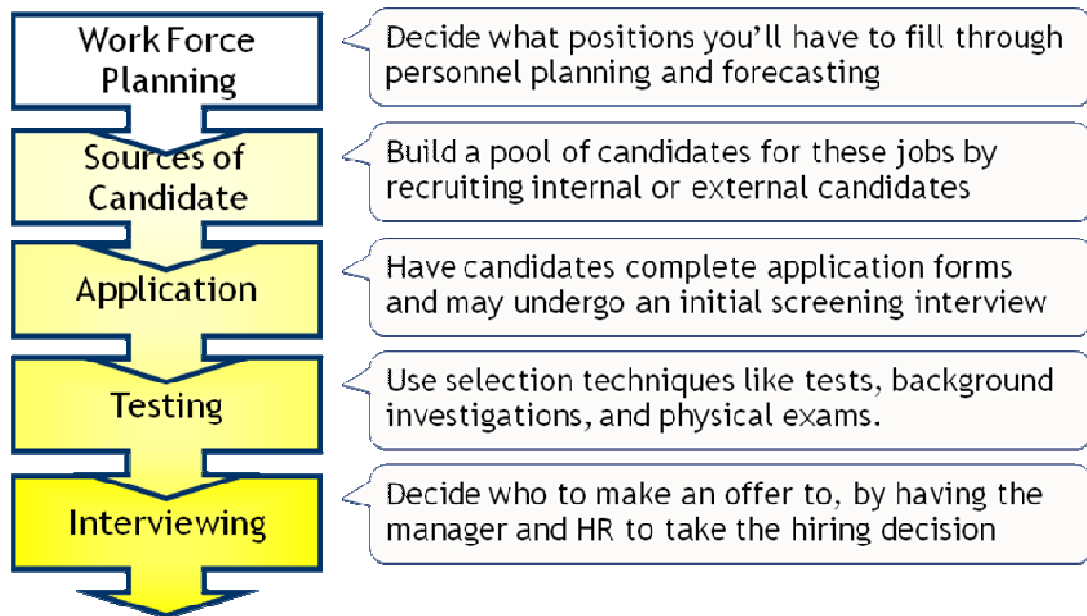
### **Learning Objectives**

- Techniques in employment planning and forecasting
- Market Analysis & Recruitment Channels
- Use different types of tests and assessments
- Identify what competencies needed for the job
- Integrate competencies in the selection process
- Techniques of selection interviews
- Reveal the required information from the candidate
- Evaluate answers given by the candidate

# Personal Planning & Recruitment

## The Recruitment and Selection Process

- ✓ Decide what positions you'll have to fill through personnel planning and forecasting.
- ✓ Build a pool of candidates for these jobs by recruiting internal or external candidates.
- ✓ Have candidates complete application forms and perhaps undergo an initial screening interview.
- ✓ Use selection techniques like tests, background investigations, and physical exams to identify viable candidates.
- ✓ Decide who to make an offer to, by having the supervisor and perhaps others on the team interview the candidates.



# Personnel/Workforce Planning

## The workforce

- A term generally used to describe those working for a single company or industry.
- The term generally excludes the employers or management
- It may also mean all those that are available for work.

## Workforce planning

It is developing strategies for keeping the type of workforce that will sustain organizational viability.

## What to forecast?

- Overall personnel needs
- The supply of inside candidates
- The supply of outside candidates

## Succession planning

- It is a long-range plan for developing an adequate supply of candidates in specific occupations, especially the key executives and the first line managers.

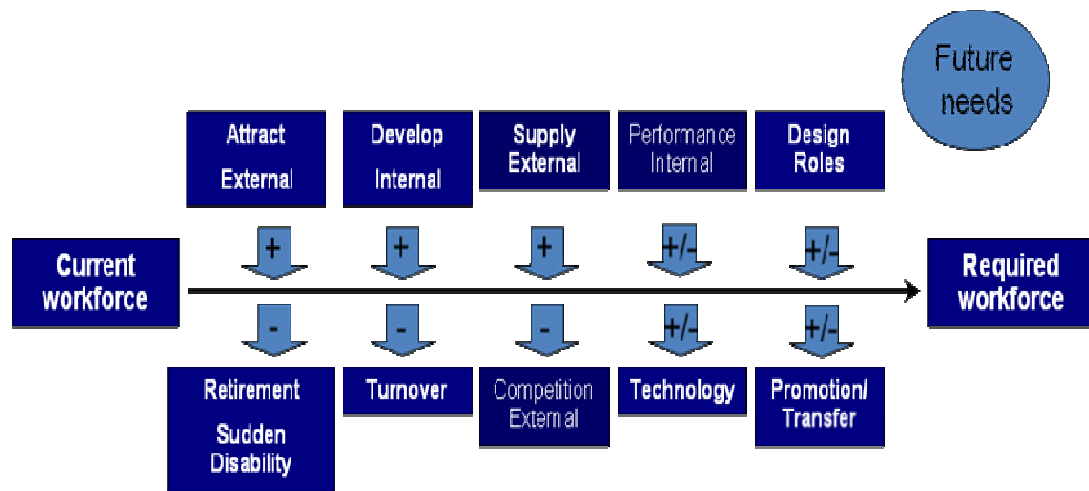
## Replacement Planning

- It is specifying qualified/ most likely replacements in the short term for specific individuals if they exit the organizations or become incapacitated.

HR Planning Strategies in Staffing plays a key role for success only if it:

- Attracts
- Retain
- Motivate
- Develop

## Overview on how to link Employer's Strategy to Plans Assessing workforce viability vs Future Requirements



Identify sources of supply and leaks and then determine net gain or loss and whether net human capital will be adequate

## Forecasting Personnel Needs

### Trend analysis

- ✓ The study of a firm's past employment needs over a period of years to predict future needs.

### Ratio analysis

- ✓ A forecasting technique for determining future staff needs by using ratios between a causal factor and the number of employees needed.
- ✓ Assumes that the relationship between the causal factor and staffing needs is constant

### Computerized forecasts

- ✓ The use software packages to determine of future staff needs by projecting sales, volume of production, and personnel required to maintain a volume of output.

## Forecasting the Supply of Inside Candidates

### Qualifications inventories

Manual or computerized records listing employees' education, career and development interests, languages, special skills, and so on, to be used in selecting inside candidates for promotion.

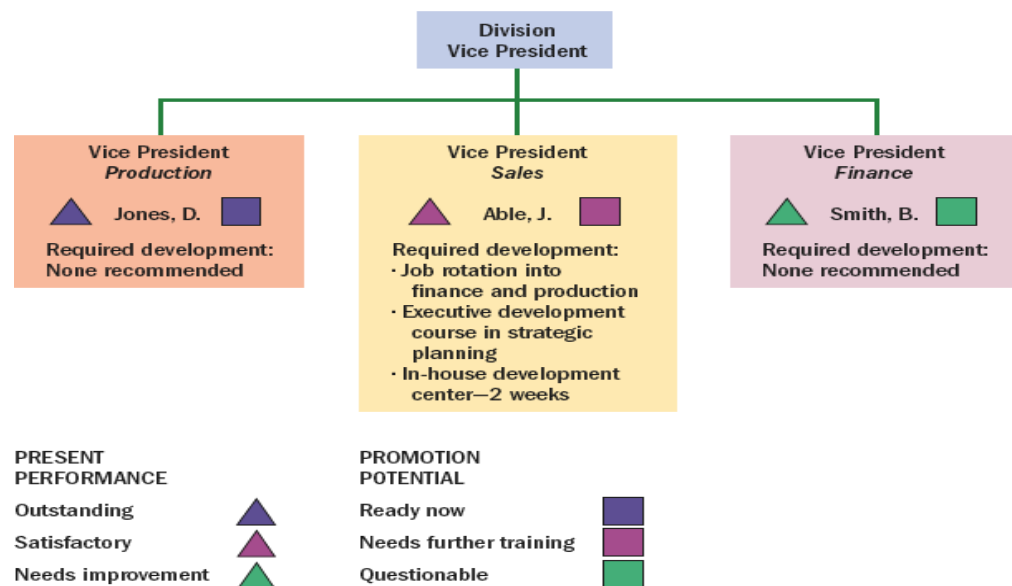
### Personnel replacement charts

Company records showing present performance and promo ability of inside candidates for the most important positions.

### Position replacement card

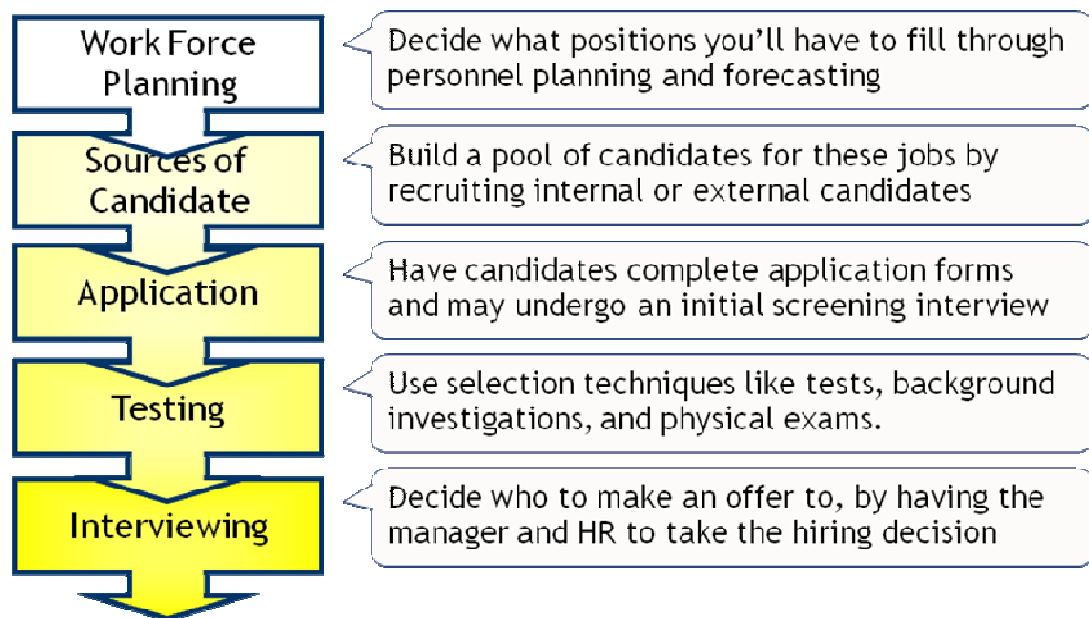
A card prepared for each position in a company to show possible replacement candidates and their qualifications

### Example of Manual Systems and Replacement Charts



## Human Resource Information System (HRIS)

- Computerized inventory of information that can be accessed to determine employees' background, experience, and skills that may include:
  - Work experience codes
  - Product or service knowledge
  - Industry experience
  - Formal education





## Forecasting the Supply of Outside Candidates

Factors impacting the supply of outside candidates:

- ✓ General economic conditions
- ✓ Expected unemployment rate

Effective Recruiting

**External factors affecting recruiting:**

- ✓ Looming undersupply of workers
- ✓ Lessening of the trend in outsourcing of jobs
- ✓ Increasingly fewer “qualified” candidates

**Internal factors affecting recruiting:**

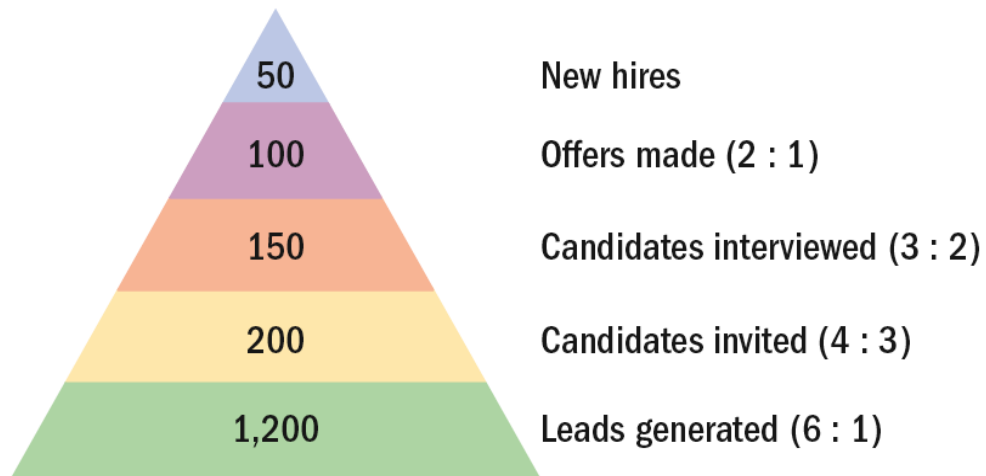
- ✓ The consistency of the firm’s recruitment efforts with its strategic goals
- ✓ The available resources, types of jobs to be recruited and choice of recruiting methods
- ✓ Non recruitment HR issues and policies
- ✓ Line and staff coordination and cooperation

Advantages of centralizing recruitment

- ✓ Strengthens employment brand
- ✓ Ease in applying strategic principles
- ✓ Reduces duplication of HR activities
- ✓ Reduces the cost of new HR technologies
- ✓ Builds teams of HR experts
- ✓ Provides for better measurement of HR performance
- ✓ Allows for the sharing of applicant pools

### Recruiting yield pyramid

The historical arithmetic relationships between recruitment leads and invitees, invitees and interviews, interviews and offers made, and offers made and offers accepted.



## **Outside Sources of Candidates**

### Advertising

The Media: selection of the best medium depends on the positions for which the firm is recruiting.

- ✓ Newspapers (local and specific labor markets)
- ✓ Trade and professional journals
- ✓ Internet job sites
- ✓ Marketing programs

### (AIDA) Approach

- ✓ Attention
- ✓ Interest
- ✓ Desire
- ✓ Action

### Types of employment agencies:

- ✓ Public agencies operated by Ministry of Manpower.
- ✓ Agencies associated with nonprofit organizations
- ✓ Privately owned agencies “Recruitment Agencies).

### Reasons for using a private employment agency:

- ✓ When a firm doesn’t have an HR department and is not geared to doing recruiting and screening.
- ✓ The firm has found it difficult in the past to generate a pool of qualified applicants.
- ✓ The firm must fill a particular opening quickly.
- ✓ There is a perceived need to attract a greater number of minority or female applicants.
- ✓ The firm wants to reach currently employed individuals, who might feel more comfortable dealing with agencies than with competing companies.
- ✓ The firm wants to cut down on the time it’s devoting to recruiting.

### Avoiding problems with employment agencies:

- ✓ Give the agency an accurate and complete job description.
- ✓ Make sure tests, application blanks, and interviews are part of the agency’s selection process.
- ✓ Periodically review data on candidates accepted or rejected by your firm, and by the agency. Check on the effectiveness and fairness of the agency’s screening process.
- ✓ Screen the agency. Check with other managers or HR people to find out which agencies have been the most effective at filling the sorts of positions needed to be filled.
- ✓ Review the Internet and a few back issues of the Sunday classified ads to discover the agencies that handle the positions to be filled.

### Executive recruiters (headhunters)

Special employment agencies retained by employers to seek out top-management talent for their clients.

- ✓ Contingent-based recruiters collect a fee for their services when a successful hire is completed.
- ✓ Retained executive searchers are paid regardless of the outcome of the recruitment process.

Internet technology and specialization trends are changing how candidates are attracted and how searches are conducted.

Guidelines for Choosing a Recruiter Give the agency an accurate and complete job description:

- ✓ Make sure the firm is capable of conducting a thorough search.
- ✓ Meet the individual who will actually handle your assignment.
- ✓ Ask how much the search firm charges.

### College recruiting

Recruiting goals

- ✓ To determine if the candidate is worthy of further consideration
- ✓ To attract good candidates

### Employee referrals

Applicants who are referred to the organization by current employees

- ✓ Referring employees become stakeholders.
- ✓ Referral is a cost-effective recruitment program.
- ✓ Referral can speed up diversifying the workforce

### Walk-ins

- ✓ Direct applicants who seek employment with or without encouragement from other sources.
- ✓ Courteous treatment of any applicant is a good business practice.

### Recruiting via the Internet

More firms and applicants are utilizing the Internet in the job search process.

### Advantages of Internet recruiting

- ✓ Cost-effective way to publicize job openings
- ✓ More applicants attracted over a longer period
- ✓ Immediate applicant responses
- ✓ Online prescreening of applicants
- ✓ Links to other job search sites
- ✓ Automation of applicant tracking and evaluation

## **Forecasting the Supply of Internal Candidates**

- ✓ Hiring From within the organization.
- ✓ Re-Hire former employees.
- ✓ Job Posting.
- ✓ Succession Planning.

### Advantages

- ✓ Foreknowledge of candidates' strengths and weaknesses
- ✓ More accurate view of candidate's skills
- ✓ Candidates have a stronger commitment to the company
- ✓ Increases employee morale
- ✓ Less training and orientation required

### Disadvantages

- ✓ Failed applicants become discontented
- ✓ Time wasted interviewing inside candidates who will not be considered
- ✓ Job posting
- ✓ Publicizing an open job to employees (often by literally posting it on bulletin boards) and listing its attributes.

## Rehiring former employees

### Advantages:

- ✓ They are known quantities.
- ✓ They know the firm and its culture.

### Disadvantages:

- ✓ They may have less-than positive attitudes.
- ✓ Rehiring may send the wrong message to current employees about how to get ahead.

## Succession planning

The process of ensuring a suitable supply of successors for current and future senior or key jobs.

### **Succession planning steps:**

- ✓ Identifying and analyzing key jobs.
- ✓ Creating and assessing candidates.
- ✓ Selecting those who will fill the key positions.

## **Succession Planning Process**

Step 1: Identify Key Positions for Succession

Step 2: Identify Competencies Needed

Step 3: Identifying and assessment for the Successors

Step 4: Employees Begin Development with Assistance of Key Manager

Step 5: Development assessment

## Discussion Time

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# EMPLOYEE TESTING & SELECTION

## Developing and Using Application Forms

### Application form

It is a form that provides information on education, prior work record, and skills.

### Uses of information from applications

- ✓ Judgments about the applicant's educational and experience qualifications
- ✓ Conclusions about the applicant's previous progress and growth
- ✓ Indications of the applicant's employment stability
- ✓ Predictions about which candidate is likely to succeed on the job

## **Basic Testing Concepts**

### Reliability

It is the consistency of scores obtained by the same person when retested with the identical or equivalent tests.

Are the test results stable over time?

### Test validity

The accuracy with which a test, interview, and so on measures what it purports to measure or fulfills the function it was designed to fill.

Does the test actually measure what we need for it to measure?



## Basic Testing Concepts

### Types of Validity

#### Criterion validity

A type of validity based on showing that scores on the test (predictors) are related to job performance (criterion).

Are test scores in this class related to students' knowledge of human resource management?

#### Content validity

A test that is content valid is one that contains a fair sample of the tasks and skills actually needed for the job in question.

Do the test questions in this course relate to human resource management topics?

Is taking an HR course the same as doing HR?

### How to Validate Tests

Step 1: Analyze the job Predictors Criterion

Step 2: Choose the tests

Step 3: Administer the test

- Concurrent validation
- Predictive validation

Step 4: Relate Test Scores and Criteria Correlation analysis

Step 5: Cross-Validate and Revalidate

## **Testing Program Guidelines**

- ✓ Use tests as supplements.
- ✓ Validate the tests.
- ✓ Monitor your testing/selection program
- ✓ Keep accurate records.
- ✓ Use a certified psychologist.
- ✓ Manage test conditions.
- ✓ Revalidate periodically.

## **Using Tests at Work**

### Major types of tests used by employers

- ✓ Basic skills tests (45%)
- ✓ Drug tests (47%)
- ✓ Psychological tests (33%)

### Use of testing

Less overall testing now but more testing is used as specific job skills and work demands increase.

- ✓ Screen out bad or dishonest employees
- ✓ Reduce turnover by personality profiling

### Source of tests

Test publishers

## Computer-Interactive Testing

### **Types of tests**

- ✓ Specialized work sample tests
- ✓ Numerical ability tests
- ✓ Reading comprehension tests
- ✓ Clerical comparing and checking tests

### Online tests

- ✓ Telephone prescreening
- ✓ Offline computer tests
- ✓ Virtual “inbox” tests
- ✓ Online problem solving tests

### Tests of cognitive abilities

- ✓ Intelligence Tests (AKA Ability Tests)
- ✓ Aptitude tests
- ✓ Tests of motor abilities
- ✓ Tests of physical abilities

## Measuring Personality and Interests Personality tests

### Disadvantage

Personality tests—particularly the projective type—are the most difficult tests to evaluate and use.

### Advantage

Tests have been used successfully to predict dysfunctional job behaviors and identify successful candidates for overseas assignments

## **The “Big Five”**

- ✓ Extraversion
- ✓ Emotional stability/neuroticism
- ✓ Openness to experience
- ✓ Agreeableness
- ✓ Conscientiousness

## Work Samples

- ✓ Actual job tasks are used in testing applicants' performance.
- ✓ Work sampling technique
- ✓ A testing method based on measuring an applicant's performance on actual basic job tasks.

## **Work Simulations**

### Management assessment center

It's a simulation in which management candidates are asked to perform realistic tasks in hypothetical situations and are scored on their performance.

### Typical simulated exercises include:

- ✓ The in-basket
- ✓ Leaderless group discussion
- ✓ Management games
- ✓ Individual presentations
- ✓ Objective tests
- ✓ The interview

### Video-Based situational testing

- ✓ A situational test comprised of several video scenarios, each followed by a multiple choice question that requires the candidate to choose from among several courses of action.
- ✓ While the evidence is mixed, the results suggest that video-based situational tests can be useful for selecting employees.

### The miniature job training and evaluation approach

- ✓ Candidates are trained to perform a sample of the job's tasks, and then are evaluated on their performance.
- ✓ The approach assumes that a person who demonstrates that he or she can learn and perform the sample of tasks will be able to learn and perform the job itself.

### Other Tests

- ✓ Interest inventories
- ✓ Achievement tests
- ✓ Web-Based (Online) testing

## Background Investigations and Reference Checks

### Extent of investigations and checks

- ✓ Reference checks (87%)
- ✓ Background employment checks (69%)
- ✓ Criminal records (61%)
- ✓ Driving records (56%)
- ✓ Credit checks (35%)

### Reasons for investigations and checks

- ✓ To verify factual information provided by applicants.
- ✓ To uncover damaging information.

### Sources of information for background checks:

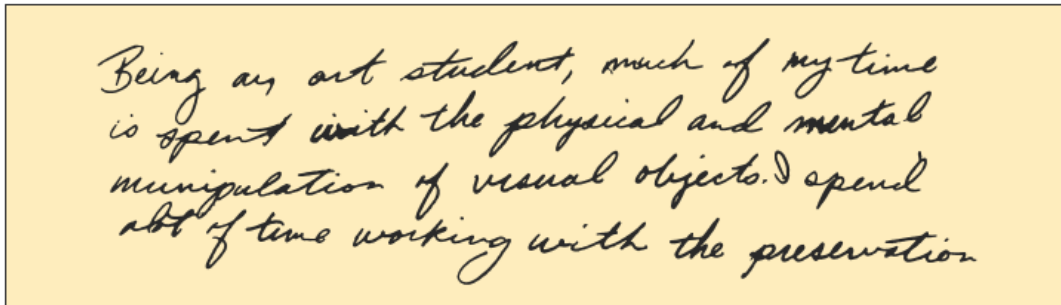
- ✓ Former employers
- ✓ Current supervisors
- ✓ Commercial credit rating companies
- ✓ Written references

### Making Background Checks More Useful

- ✓ Include on the application form a statement for applicants to sign explicitly authorizing a background check.
- ✓ Use telephone references if possible.
- ✓ Be persistent in obtaining information.
- ✓ Ask open-ended questions to elicit more information from references.
- ✓ Use references provided by the candidate as a source for other references.

### Other Tests

- ✓ The Polygraph and Honesty Testing
- ✓ Graphology (handwriting analysis)
  - Assumes that handwriting reflects basic personality traits.
  - Graphology's validity is highly suspect.



### Physical Examination

#### Reasons for pre-employment medical examinations:

- ✓ To verify that the applicant meets the physical requirements of the position
- ✓ To discover any medical limitations you should take into account in placing the applicant.
- ✓ To establish a record and baseline of the applicant's health for future insurance or compensation claims.
- ✓ To reduce absenteeism and accidents
- ✓ To detect communicable diseases that may be unknown to the applicant.

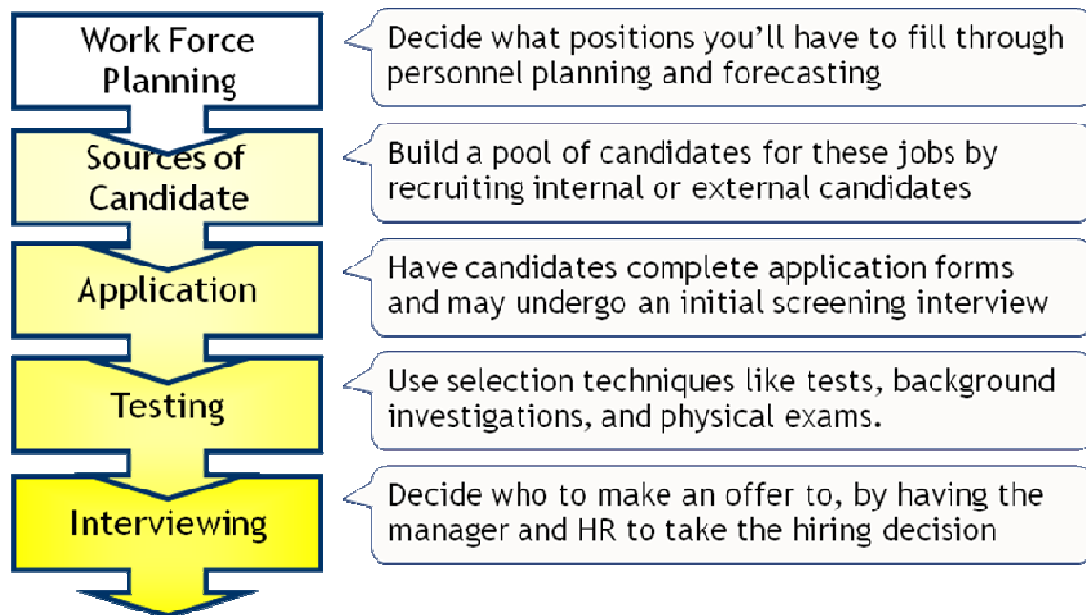
## Substance Abuse Screening

### Types of screening:

- ✓ Before formal hiring
- ✓ After a work accident
- ✓ Presence of obvious behavioral symptoms
- ✓ Random or periodic basis
- ✓ Transfer or promotion to new position

### Types of tests

- ✓ Urinalysis
- ✓ Hair follicle testing



## Interviewing Candidates

**A-**What is the benefit of making the right selection decision on *the company's success*?

**B-**What is the benefit of making the right selection decision on our *people* – both existing and new employees?

### Benefits to the Company's Success

- Ensures company's reputation as a preferred employer
- Reduces training time
- Helps to build a better team environment
- Helps to ensure satisfied customers and co-workers
- Helps to reduce turnover
- New employees require training and take some time to become fully productive

### Benefits to People

- Builds the confidence of co-workers in their Managers
- Creditability in the Human Resources Team
- Minimizes costly and unsettling experiences for both the new employee and those he/she was hired to join.
- Reduces confrontations with unions and other employee-representative organisations

### What is an interview?

A procedure designed to obtain information from a person through oral responses to oral inquiries



## Types of Interview

### **Selection interview**

A selection procedure designed to predict future job performance on the basis of applicants' oral responses to oral inquiries.

### **Appraisal interview**

A discussion, following a performance appraisal, in which supervisor and employee discuss the employee's rating and possible remedial actions.

### **Exit interview**

An interview to elicit information about the job or related matters to the employer some insight into what's right or wrong about the firm.

## Formats of Interviews

### **Unstructured or nondirective interview**

An unstructured conversational-style interview in which the interviewer pursues points of interest as they come up in response to questions.

- Unstructured, conversational style interview.
- No particular structure,
- The interviewer asks questions as they come to mind.
- No scoring of answers. No benchmarking of candidates.

### **Structured or directive interview**

An interview following a set sequence of questions.

- Structured, pre-prepared questions,
- Responses are rated for appropriateness to content.
- Thoroughness, fairness somewhat more guaranteed.

## Selection Interview Structure: Personal or Individual Interviews

### Unstructured sequential interview

An interview in which each interviewer forms an independent opinion after asking different questions.

### Structured sequential interview

An interview in which the applicant is interviewed sequentially by several persons; each rates the applicant on a standard form.

### Panel interview

An interview in which a group of interviewers questions the applicant.

### Panel (broad) interview

An interview in which a group of interviewers questions the applicant.

### Mass interview

A panel interviews several candidates simultaneously.

## Selection Interview Content: Types of Questions

### Situational interview

A series of job-related questions that focus on how the candidate would behave in a given situation.

### Behavioral interview

A series of job-related questions that focus on how they reacted to actual situations in the past.

### Job-related interview

A series of job-related questions that focus on relevant past job-related behaviors.

### Stress interview

An interview in which the interviewer seeks to make the applicant uncomfortable with occasionally rude questions that supposedly to spot sensitive applicants and those with low or high stress tolerance.

### Puzzle questions

Recruiters for technical, finance and other types of jobs use questions to pose problems requiring unique (“out-of-the-box”) solutions to see how candidates think under pressure.

## Designing and Conducting the Interview

- Step 1: Job Analysis
- Step 2: Rate the Job's Main Duties
- Step 3: Create Interview Questions
- Step 4: Create Benchmark Answers
- Step 5: Appoint the Interview Panel and Conduct Interviews

### **How to Conduct an Effective Interview**

#### Structure your interview:

- ✓ Base questions on actual job duties.
- ✓ Use job knowledge, situational, or behaviorally oriented questions and objective criteria to evaluate the interviewee's responses.
- ✓ Train interviewers.
- ✓ Use the same questions with all candidates.
- ✓ Use descriptive rating scales (excellent, fair, poor) to rate answers.
- ✓ Use multiple interviewers or panel interviews.
- ✓ If possible, use a standardized interview form.
- ✓ Control the interview.
- ✓ Take brief, unobtrusive notes during the interview.

#### Prepare for the interview

Secure a private room to minimize interruptions.

Review the candidate's application and résumé.

Review the job specifications

Establish rapport

Put the person at ease.

Ask questions

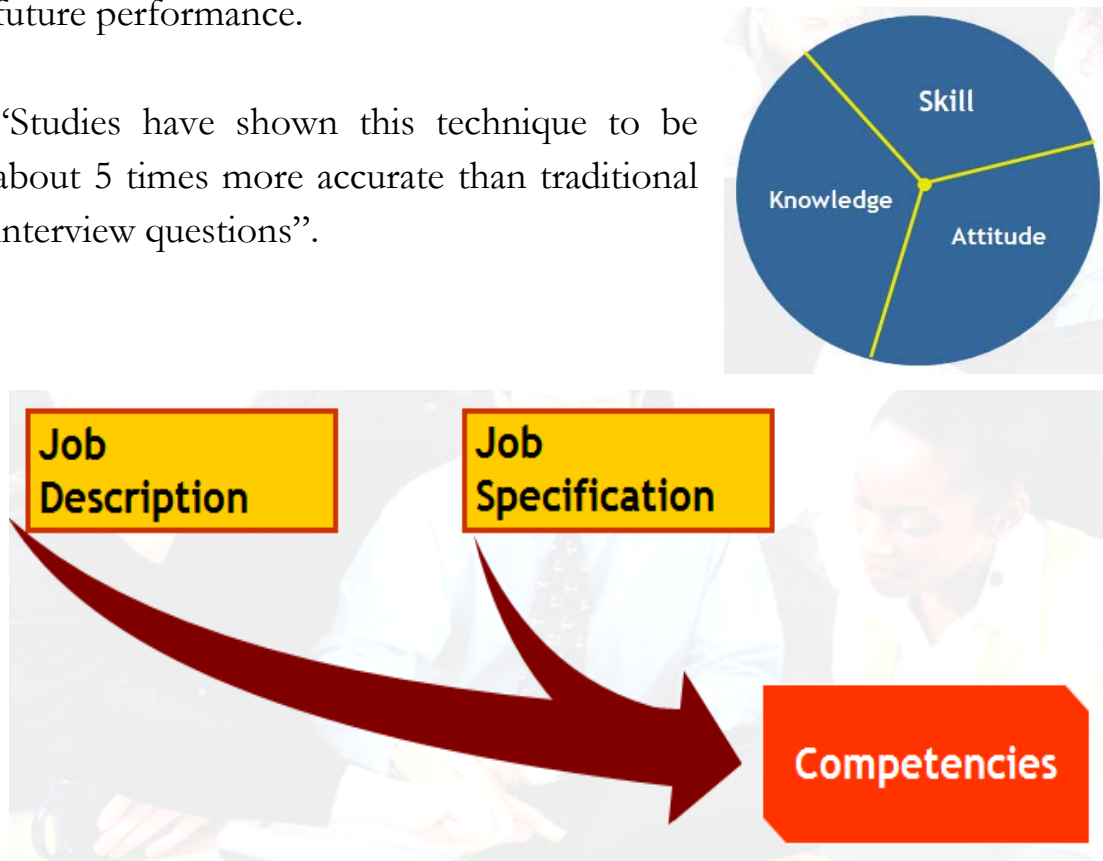
Follow your list of questions.

Don't ask questions that can be answered yes or no.

## Competency Based Interview

Structured behavioral Interview used to assess how a candidates past performance in work related situations can be used as a predictor of future performance.

“Studies have shown this technique to be about 5 times more accurate than traditional interview questions”.



## Competencies Types - Core Competencies

Behaviors and attitudes required by all individuals at all levels in the organization to ensure a homogeneous culture that fosters a productive working environment to achieve the company's vision

- Action-Oriented
- Communication
- Adaptability
- Customer Focus
- Quality Focus
- Interpersonal Skills
- Teamwork
- Time Management

### Competencies Types – Functional Competencies

Are the functional skills required by individuals in certain functions/ departments to undertake their jobs at the required level of efficiency to achieve the departments' objectives and ultimately the organization vision.

- Microsoft – **Intellectual Horsepower** (is bright, intellectually sharp and learns quickly)

### Competencies Types - Managerial Competencies

Managerial competencies required by individuals holding management positions across all functions.

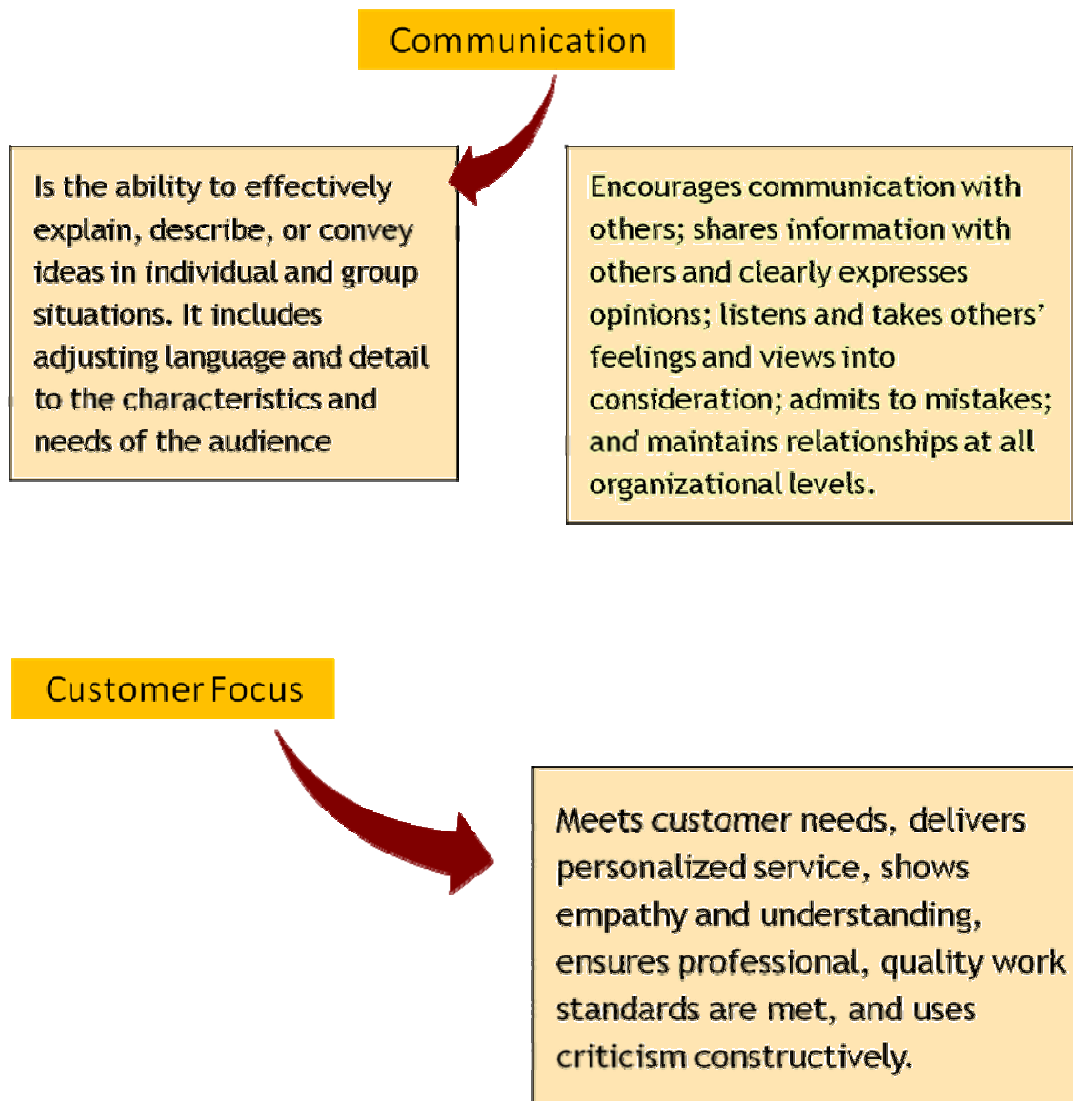
- Change Management
- Problem Solving & Decision Making
- Strategic Orientation
- Motivating and Influencing Others
- People Development

### Competency Components

- Definitions
- Behavioral Indicators
- Evaluation Scale
- Differences Between Levels

The common factors in any competency format are:

- The title or label for the competency (e.g., teamwork, customer focus, creativity)
- A brief definition of what the label means – it may be a generic definition or one created by, and specific to, the organization
- A number of statements or **behavioral indicators that explain what the *desired* performance or effective behavior looks like**



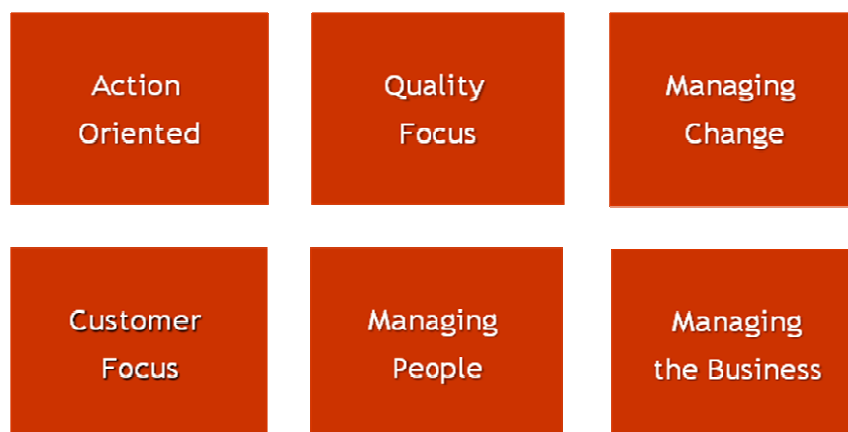
## Competency Definition: Teamwork

### *Definition:*

Shares information and co-ordinates activities with co-workers so that the success of team efforts takes precedence over the success of individual efforts.

Ineffective Behaviours	Effective Behaviours
<ul style="list-style-type: none"><li>➤ Makes excuses to avoid doing work</li><li>➤ Complains about colleagues behind their backs</li><li>➤ Ignores colleagues who are having work difficulties</li><li>➤ Fails to return favours when opportunities arise</li></ul>	<ul style="list-style-type: none"><li>➤ Does own share of the work</li><li>➤ Shows a genuine, personal interest in co-workers</li><li>➤ Maintains a positive rapport with co-workers</li><li>➤ Develops relationships built on trust and openness</li></ul>

## What's your company's Core Competency Model





### **Importance of Competencies in Interviewing**

- Behavioural interviewing / competency based selection delivers three main results:
  - Accuracy: hiring the right person for the job
  - Equity: the system needs to be fair for all candidates
  - Consistency: calibration between interviewers

### **Drawbacks may appear**

- Miss-match between the competencies that required & those of the hired individual
- Lack of HR intervention in the Interviewing process
- Poor calibration of the conducted interviews;

### **Ability to Predict**

Traditional one-on-one interview	0.20
Reference check	0.26
Assessment centers/formal	0.36
Formal group interview	0.37
Cognitive ability testing	0.53
Structured competency interview	0.70

### **Conclusion**

- Structured behavioral interview is one of most predictable indicator to measure the behavior
- A behavior-oriented approach, structured to identify the candidate's specific & demonstrated characteristics, will give a clear picture.
- Attend to behaviors that the candidate reportedly has exhibited and has not exhibited.
- Match these to your criteria.

## **Characteristics of an Effective Competency Based Interview**

- ✓ Structured behavioral Interview.
- ✓ Depends on the competencies needed.
- ✓ Depends on the open ended.
- ✓ Use Effectively probing questions

## **Questioning Technique**

### **Framing Questions:**

- ✓ Always use open questions
- ✓ Don't ask Complex questions
- ✓ Avoid, Avoid, Avoid leading questions
- ✓ Don't ask double barreled questions
- ✓ Don't ask several questions at a time
- ✓ Use probing questions to reach the depth as an clear objective in your mind

## **Questioning Technique**

- How have you set objectives for your employees in the past? (*behavioral*)
  - What criteria did you consider?
  - Who set the objectives?
  - How were they communicated and documented
- What would you do if a group you were responsible for were performing poorly? (*situational*)
  - What would you do to address the issue?
  - Who would provide you with information?
  - How would ensure performance improvements?

## Competency – based Interview

Make sure you know the competencies and most importantly their definitions,

2<sup>nd</sup>: Make sure you have all the required tools:

- Candidate CV
- Position Specifics
- Questions Guide

3<sup>rd</sup>: Make sure you have the right attitude (ex. *subside your problems to ensure giving a fair chance*)

## The Golden Rule

- ✓ The best predictor of future success is past success.
- ✓ The best predictor of good or bad behaviors is to identify past behaviors
- ✓ Find out past behaviors

## The **STAR** Technique

➤ **S**ituation/ **T**ask

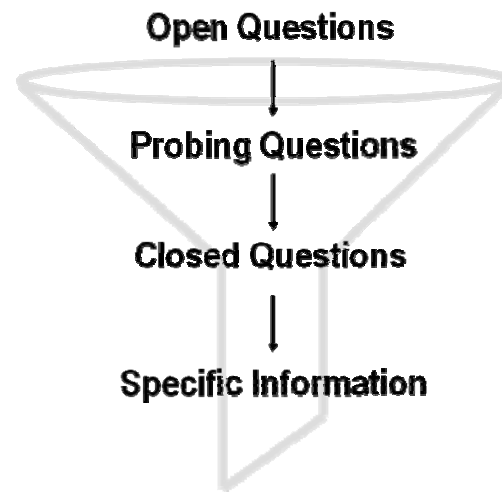
➤ **A**ction

➤ **R**esult

Keep probing until you have a complete ...

### Useful techniques for asking questions:

- Ask penetrating questions
- Use open-ended questions
- Pause & use power of silence
- Make smooth transitions
- Use "extending" questions
- Ask Behavioral questions



### Don't ask inappropriate Questions

Religion  
Name of spouse  
Whether child care has been arranged for the children  
Previous married name.  
Spouse's/ Husband' place of employment.  
National origin/race  
Asking leading questions.  
Allowing one undesirable factor to influence judgment.

### False Stars - Indicators

- I **always** make time for customers and I've made **many** of them happy, they **usually** ask to speak with me
- **We** worked together as a team and did the job.

#### **Vague Statements!!**

- I **believe** strongly in good people management
  - I **think** that staff should be happy in order to be productive

#### **Opinions!!**

### Close the interview:

- ✓ Leave time to answer any question the candidate might have.
- ✓ Use positive notes for closure.
- ✓ Make diplomatic rejection.
- ✓ Respond in writing informing candidates of their status if your policy says so.

### Review the interview

Review your notes while the interview is still fresh.

## **Interview Time Management**

### One hour interview guide-line

Introduction-build rapport	5 min
Information gathering	40 min
Information giving	10 min
Closing	5 min

## **Factors Affecting Interviews**

### First impressions

- ✓ The tendency for interviewers to jump to conclusions—makes snap judgments—about candidates during the first few minutes of the interview.
- ✓ Negative bias: unfavorable information about an applicant influences interviewers more than does positive information.

### Factors Affecting Interviews

### Misunderstanding the job

Not knowing precisely what the job entails and what sort of candidate is best suited causes interviewers to make decisions based on incorrect stereotypes of what a good applicant is.

### Candidate-order error

An error of judgment on the part of the interviewer due to interviewing one or more very good or very bad candidates just before the interview in question.

## Nonverbal behavior and impression management

- ✓ Interviewers' inferences of the interviewee's personality from the way he or she acts in the interview have a large impact on the interviewer's rating of the interviewee.
- ✓ Clever interviewees attempt to manage the impression they present to persuade interviewers to view them more favorably.
- ✓ Effect of personal characteristics: attractiveness, gender, race

Interviewers tend have a less favorable view of candidates who are:

- ✓ Physically unattractive
- ✓ Female
- ✓ Of a different racial background
- ✓ Disabled

### Interviewer behaviors affecting interview outcomes

- ✓ Inadvertently telegraphing expected answers.
- ✓ Talking so much that applicants have no time to answer questions.
- ✓ Letting the applicant dominate the interview.
- ✓ Acting more positively toward a favored (or similar to the interviewer) applicant.



## Interview Assessment Form

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Factor	1	2	3	4	5
Ethics & Values	—	—	—	—	—
Teamwork	—	—	—	—	—
Communication	—	—	—	—	—
<b>Total</b>	<input type="text"/>				

### Prejudices/ Tendencies

- Misunderstanding the Job
- Halo Effect
- “Similarity is good” effect
- “Central Evaluation Tendency” effect
- Projection
- Negative Emphasis
- Pressure to Hire
- Contrast Error
- Stereotyping
- Win- Lose interviews
- Play it safe
- Too much / Too little Talking
- Play Psychologist



## Discussion Time

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## MODULE

# 5

## Training Concepts & Adult Learning

### Learning Objectives

- Define Learning, Education, Training and Development
- Understand Nature of Adult Learning
- Identify the types of learners
- Identify the benefits and barriers of learning
- Identify different Trainer roles
- Recognize Training Generic Model

"...The most important single factor influencing learning is what the learner already knows. Ascertain this and teach him accordingly."  
(D. Ausubel, 1968)

# Education, Training, Development and Learning

## Education

Education can be defined as formal conscious attempt to promote learning in others. Traditionally, analysis of this attempt has centered around direct teaching on the part of teachers. **It's more theoretical and focuses on knowledge.**

## Training

Training refers to the acquisition of knowledge; develop skills, and competencies as a result of the transferring knowledge and/or practical skills. **It's more practical and focuses on practice.**

## Training & Development

Training & Development is the field concerned with workplace learning to improve performance. Such training can be generally categorized as on-the-job or off-the-job.

**On-the-job** describes training that is given in a normal working situation, using the actual tools, equipment, documents or materials that they will use when fully trained. On-the-job training is usually most effective for vocational work.

**Off-the-job** training takes place away from normal work situation which means that the employee is not regarded as productive worker when training is taking place. An advantage of off-the-job training is that it allows people to get away from work & totally concentrate on the training being given. This is most effective for training concepts& ideas.

## Learning

Learning is the process of bringing about relatively permanent change through experience or/and education.

Learning is the process of gaining understanding that leads to the modification of attitudes and behaviours through the acquisition of knowledge, skills and values, through study and experience. Learning causes a change of behavior that is persistent, measurable, and specified or allows an individual to formulate a new mental construct or revise a prior mental construct (conceptual knowledge such as attitudes or values). It is a process that depends on experience and leads to long-term changes in behavior potential. Behavior potential describes the possible behavior of an individual (not actual behavior) in a given situation in order to achieve a goal. But potential is not enough; if individual learning is not periodically reinforced, it becomes shallower and shallower, and eventually will be lost in that individual.

Regardless of the means of learning, we can not measure learning per se; we can only measure the change in attitudes and behaviors that occurs as a result of learning. (Testing Factor)

## Areas of Training – Knowledge, Skills & Attitude (KSA)

✕ **Knowledge** is acquisition specific information in a particular subject, enabling a person to understand a subject to an acceptable level

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✕ **Skill** is a developing aptitude or ability in a particular intellectual or physical area

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✕ **Attitude** is a change in an internal state which affects one's choice of action towards some objects, persons or events

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### Food for thought:

What is the difference between ...

- ❖ Data .....
- ❖ Information .....
- ❖ Knowledge .....

# Adult Learning

Pedagogy	Andragogy
The art and science of teaching children	The art and science of helping adults to learn (Term introduced in 1968 by Malcolm Knowles)
<ul style="list-style-type: none"> <li>❖ The learner is dependent on the teacher</li> <li>❖ The learner brings no experience that is of value as a resource for learning</li> <li>❖ Students become ready to learn to advance to the next grade level</li> <li>❖ Students are externally motivated</li> <li>❖ Subject-oriented</li> <li>❖ Future-oriented</li> <li>❖ Depend on adults for direction</li> <li>❖ Accepting new information</li> <li>❖ Train for unclear future</li> <li>❖ Time is more available</li> <li>❖ Learn to advance to the next grade level</li> </ul>	<ul style="list-style-type: none"> <li>❖ Adults are self directing in every other aspect of their lives (why should this stop in the classroom?)</li> <li>❖ Adults bring experience and knowledge to the classroom</li> <li>❖ Adults become ready to learn to perform more effectively in some aspect of life</li> <li>❖ Adults have extrinsic and intrinsic motivation</li> <li>❖ Problem-centered</li> <li>❖ Results-oriented</li> <li>❖ Self-directed - Accept responsibility for own learning</li> <li>❖ Skeptical about new information</li> <li>❖ Seek relevancy/goal</li> <li>❖ Pressed in time</li> <li>❖ Learn to perform more effectively in life</li> </ul>

## How do Adults Learn?

- ✓ If they want and need to.
- ✓ By linking learning to past, present or future experience.
- ✓ By practicing what they have been taught.
- ✓ With help and guidance.
- ✓ In an informal and non-threatening environment.

## What do adults want?

- ✓ Adults want to be perceived as capable of taking responsibility
- ✓ Adults may feel resentment in situations that leave no room for participation in decisions
- ✓ Experiences are part of students' identities; ignoring them may devalue the person as well as the experience
- ✓ Adults are rich resources for each other; meaning is created by the interplay between new information and existing concepts

## **Paradigms in Learning**

(Penchion D. 1999. Editorial BMJ)

<b>OLD Paradigm</b>	<b>NEW Paradigm</b>
<ul style="list-style-type: none"><li>➤ Finite amount of knowledge to be absorbed</li><li>➤ Experts are recognized by knowing what they should know</li><li>➤ Learning starts by contacting an authority</li><li>➤ Uncertainty is discouraged and ignorance avoided</li><li>➤ Experts have knowledge</li></ul>	<ul style="list-style-type: none"><li>➤ It is not possible to absorb all knowledge on a subject</li><li>➤ Experts are recognized by knowing what they don't know and knowing how to manage it</li><li>➤ Learning starts in practice (tacit knowledge and learning from mistakes)</li><li>➤ Legitimizing uncertainty and learning by questioning</li><li>➤ Experts find solutions</li></ul>



## Learning Styles – 3 Primary kind of memory (VAK)

1. **Visual** — Learner learns by seeing or reading  
(Visual learners prefer to process information through what they see, including pictures and/or printed and/or displayed information)

### Some tools for visual learners

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2. **Auditory** — Learns by hearing  
(Auditory learners prefer to process information through what they hear including words, songs and/or music)

### Some tools for auditory learners

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3. **Kinesthetic** — Learns By Doing (Touching/Feeling)  
(Kinesthetic learners prefer to process information through physical experiences including demonstration and hands on learning)  
It is also called "Physical" or “Hands On”

### Some tools for auditory learners

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## Characteristics of each Learner's Style

### VISUAL - (Learn by Seeing and Watching)

#### 29% of learners

- ▲ Can be verbal (sees words) or pictorial (sees pictures)
- ▲ Remember faces but not names
- ▲ Vivid imaginations
- ▲ Think in pictures
- ▲ Facial expression tells what their emotions are
- ▲ Use color Caution: TV, Movies, Nintendo can be addicting
- ▲ Use phrases such as “I **see** what you mean”, “That **looks** right”
- ▲ When relaxing, prefers to watch a film or video, go to theatre or read.
- ▲ Prefer to talk to people face to face
- ▲ Fast talkers, dislike listening to others
- ▲ Forget names, remember faces
- ▲ If lost or need directions, prefer a map
- ▲ When inactive, tend to watch someone/ something
- ▲ When angry, are silent & seethe
- ▲ Reward people by a note, letter or card
- ▲ Well dressed, tidy & organized

#### Learn Best By:

- Writing down key facts or, better still, making mind maps
- Visualizing what they are learning by creating pictures/ diagrams
- Using timelines, for remembering dates
- Creating their own strong visual links
- Using pictures, diagrams, charts, film, video, graphics, etc

## **AUDITORY - (Learn by Listening)**

### **34% of learners**

- ▲ Learn from verbal instruction
- ▲ Need phonics
- ▲ Enjoy plays
- ▲ Write lightly and it is not always legible
- ▲ Remember names and forget faces
- ▲ Distracted by noise
- ▲ Remember by listening, especially with music
- ▲ Games and pictures are annoying and distracting
- ▲ Use phrases like “that sounds right”, “I hear what you are saying”.
- ▲ When relaxing, listen to music or radio
- ▲ Prefer to talk to people on the phone
- ▲ Enjoy listening to others, but impatient to talk; talk in a rhythmic voice
- ▲ If lost or needs directions, prefer to be told
- ▲ When inactive, tend to talk to themselves or others
- ▲ When angry, express themselves in outbursts
- ▲ Reward people with oral praise
- ▲ Do not like reading books or instruction manuals

### **Learn Best By:**

- Hearing a seminar, presentation or explanation
- Reading aloud to themselves with emotion or accent
- Making a tape of key points to listen to in the car, while ironing,...etc
- Verbally summarizing in their own words
- Explaining the subject to someone else
- Use their own internal voice to verbalize what they are learning

## **KINESTHETIC - (Learn by doing)**

### **37 % of learners**

- ▲ Not avid reader
- ▲ Poor spellers
- ▲ Remember what was done
- ▲ Do not "hear" things as well
- ▲ Touch is important
- ▲ Attack things physically - fight, hit, pound
- ▲ Impulsive
- ▲ Need math and science manipulative
- ▲ Love games
- ▲ Use phrases such as “I found it easy to handle”, “That touched a nerve”
- ▲ When relaxing, prefer to play games and sport
- ▲ Prefer to talk to people while doing something else
- ▲ Slow talkers, use gestures and expressions
- ▲ Shake hands with people they meet
- ▲ If lost or need directions, prefer to be shown the way
- ▲ When inactive, cannot sit still for long
- ▲ Reward people with a pat on the back

### **Learn Best By:**

- Copying demonstrations
- Making models
- Recording information as they hear it, preferably in a mind map
- Walking around while they read
- Underlining/ highlighting new information/ key points
- Putting key points on to index cards and sorting them into order
- Getting physically and actively involved in their learning

## Types of Learners – According To Honey & Mumford

Alan Mumford and Peter Honey categorized learners into 4 Learning Styles:

### Activists

- Prefer to Learn by trial and error
- Having a go
- Accepting challenges and taking risks

### Reflector

- Prefer to Learn by listening
- Watching the effort of others
- Copying others' skills and behavior

### Theorists

- Prefer to Learn by reading
- Abstract Conceptualization
- Listening and analyzing

### Pragmatists

- Prefer to Learn by debating the practicalities.
- Questioning others to reach a realistic approach

## Trainer role on Adult learning

- Design processes for students to acquire and create knowledge from many resources **other than the trainer.**
- Employ methods that use the experience of the learners, e.g., simulations, labs, discussions, games, role plays, projects, etc.
- Attention span may not last for more than 20 minutes of straight lecture (and students may come to class fatigued)
- Actively engage your students; ask them to solve problems and answer questions
- Use a variety of visual, audio and "hands on" aids
- Use humor, **if it works for you**, or create a climate where students can use it
- Make the material increasingly challenging
- Change in voice & pace, take breaks
- Create many associations in memory for important information
- Allow “white space” for reflection and note taking
- Use lots of examples and life examples
- Create good relationships so a positive learning climate and good knowledge exchanges can occur

- Create opportunities for collaboration
- Creating a positive classroom climate is a prerequisite to effective learning
- Devise strategies for helping people become more open minded
- State the information in their own words
- Encourage them to give their own examples
- Recognize them in various situations and circumstances
- See connections between learners' experience and other facts or ideas

## Benefits of Training

### For Participants

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### For Trainer

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### For Organization

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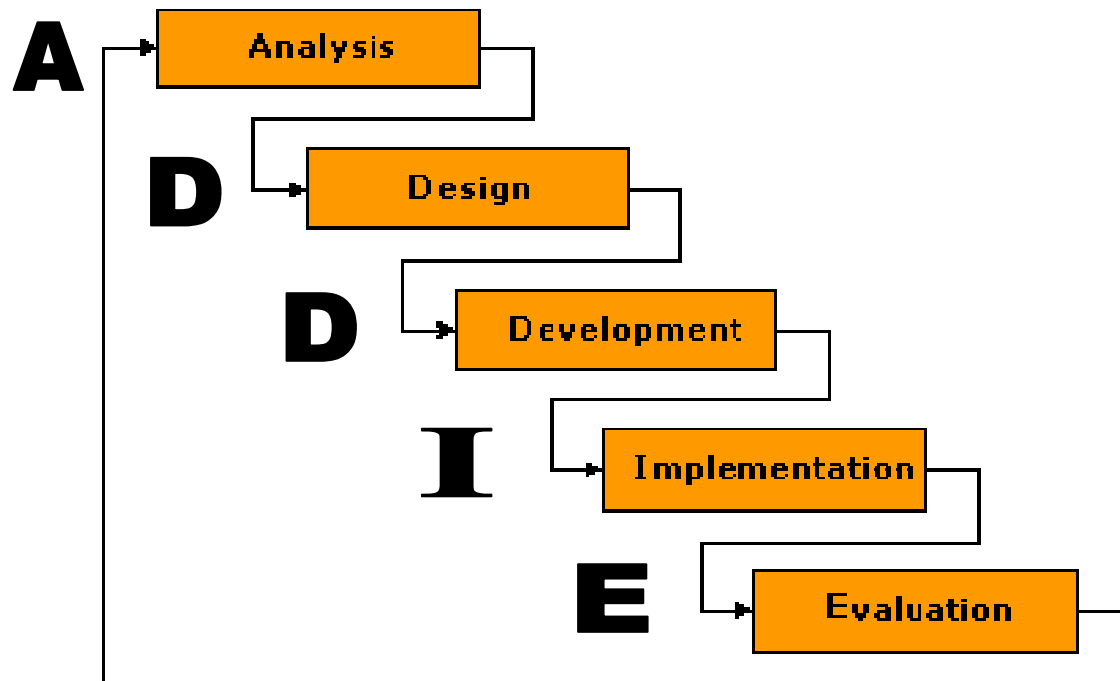
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## Generic Training Model: ADDIE Approach



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## My Notes

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# Conduct Training Needs Analysis (TNA)

## Learning Objectives

- Identify 6 steps of Training Needs Analysis (TNA)
- Identify the root cause of the problem
- Analyze the performance gap
- Identify training versus non-training solutions
- Analyze nature of your learners
- Analyze of training constraints

*“Remember, training is not what is  
ultimately important...Performance is.”  
Marc Rosenberg*

# Training Needs Analysis (TNA)

## What is TNA?

- A formal procedure used to analyze training needs identifying knowledge, skills and attitudes people require to meet their own and their organization's development needs.
- The process of identifying "Performance gap" between “**Actual** performance” and “**Desired** one”. (Gap of KSA)
- The goal is to describe the gap between where the students **are** and where we want them **to be**, before identifying the solution whether training is the appropriate bridge to cross the KSA gap or not.

### Why is TNA?

- Information might not be enough to make a decision
- Underestimate – over Appreciated abilities
- Lack of knowledge of Training and Development
- Client delivers different message of intent

### ADDIE Approach

- ✦ Analysis
- ✦ Design
- ✦ Development
- ✦ Implementation
- ✦ Evaluation

## Six Steps of TNA

1. Clarify the training request and the objectives beyond
2. Identify the business need/problem (Problem Analysis)
3. Identify the performance gap (Performance Analysis)
4. Identify the tasks involved (Skill/Competency Analysis)
5. Identify the learners (Learners Analysis)
6. Identify training constraints (Constraints Analysis)

# Training Needs Analysis Model



## 1. Clarify the training Request

First step in TNA is to restate and clarify the request

- Listen carefully to the client's request
- Make sure that you understand the request meaning
- Clarify specifically what are the objectives beyond
- Build rapport and common ground
- Get a chance to build on sponsors request
- Guide following questions all through the way
  - Why do you suggest this training, in particular?
  - What are other alternative solutions we could take?
  - What results do you want to achieve from conducting this training?

## Training Needs Analysis Model



### 2. Problem Analysis

“Problem is...a state of a balance of power between two or more forces that has no one clear cut of the ideal solution...”

- Could be a business need, problem or an opportunity
- Problem does not come in a flashing spark saying "I am here!" its usually dormant and hidden - We need to dig for it
- A well identified problem is a half solved problem
- Determine the cause(s) – Always ask why?
- Do not mix between symptoms and problems

**Training objectives have to be ultimately tied to ONE of the business goals**

**1. Generate Revenue**

Profits/ Sales / Telesales / Customer service / Team building ... etc

**2. Containing Expenses**

Reduce errors / Breakage / Complaints / Save resources

**3. Complying With Regulations**

Safety/ ISO / HACCP / Business Law / Government Regulations

**State some problems that you face in your work**

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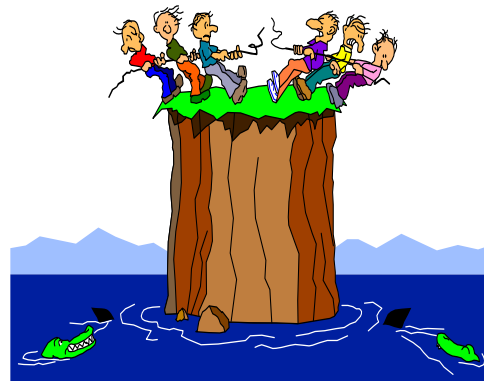
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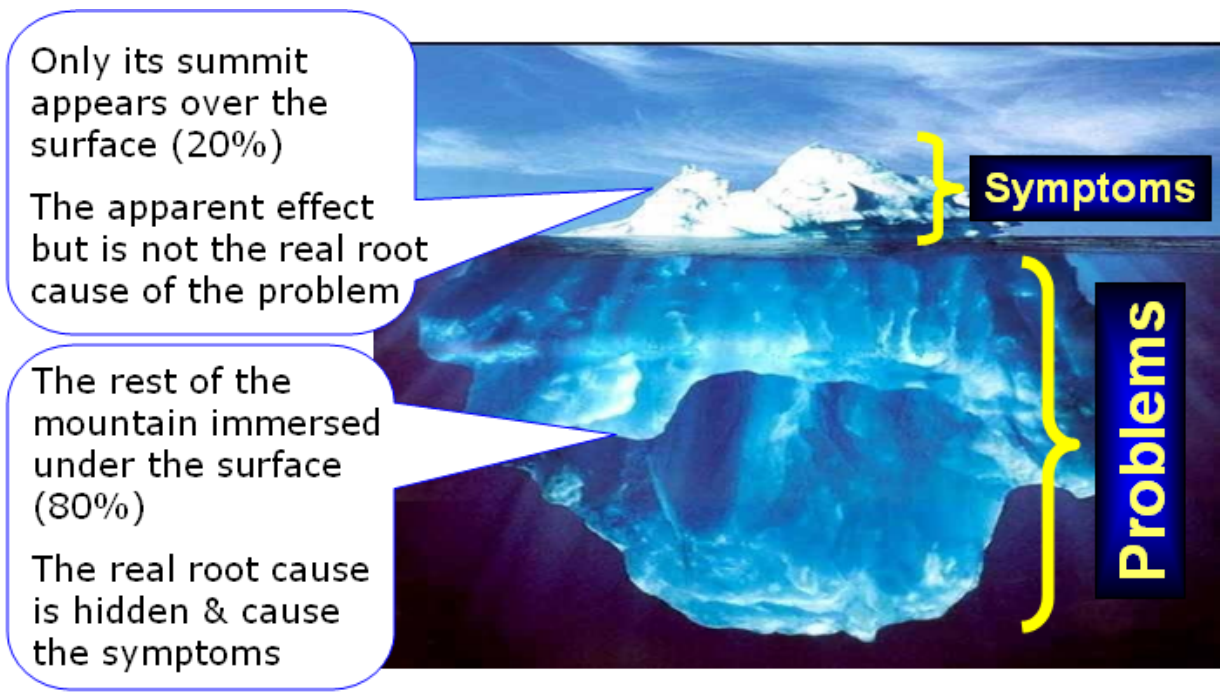


## A PROBLEM or a SYMPTOM

### PROBLEM



### SYMPTOM





1. The team do not know an answer for one of the asked questions

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2. The manager assigned a task to the team but the team does not have enough resources to accomplish the task.

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3. High work volume not matching with the workforce.

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4. The team lack the knowledge of an objective that can not be achieved

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5. We can not achieve our targets as our workforce is reluctant to change

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6. There are lots of questions on our quality.

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7. I need to take a medicine but it has other side effects on me

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8. I don't want to leave my work but I have a better offer

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9. Political situations in my home country affects the business

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10. My manager has a very tough personality in dealing with the team

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## Training Needs Analysis Model



### 3. Performance Analysis

#### Performance Gap - KSA:

The difference between the Current Performance and the Ideal (Desired) Performance

Actual Performance "As is"  
(What is currently happening?)

Desired Performance "To be"  
(What we want to reach?)

### Actual Performance

- ☞ On-job-observation
- ☞ Performance appraisals
- ☞ Quality Assurance
- ☞ Mystery shoppers
- ☞ Customers Comment Card
- ☞ Customers Complaints
- ☞ Mistakes/ Errors / Breakage
- ☞ Failure to meet deadline

### Desired Performance

- ☞ Job descriptions (KPI's)
- ☞ Process, manuals
- ☞ Policies/ procedures
- ☞ Head/ Manager
- ☞ Job Standards
- ☞ Company Mission
- ☞ Achievement of tasks & objectives

### Some examples cause Performance Gap

- Lack of Time
- Lack of resources
- High Workload volume
- Lack of Staff
- Supporting skill
- Attitude
- Motivation
- Company's policies limit the desired performance
- New business law

- Corporate culture
- Managers support
- Knowledge
- Competencies are not up to the standard
- Lack in Core Skills
- Employees don't know the company's procedures
- Lack of equipment
- New labor lack the skills

Through **PERFORMANCE ANALYSIS**, is training the solution for the problem or not?

**If Not:** Not KSA

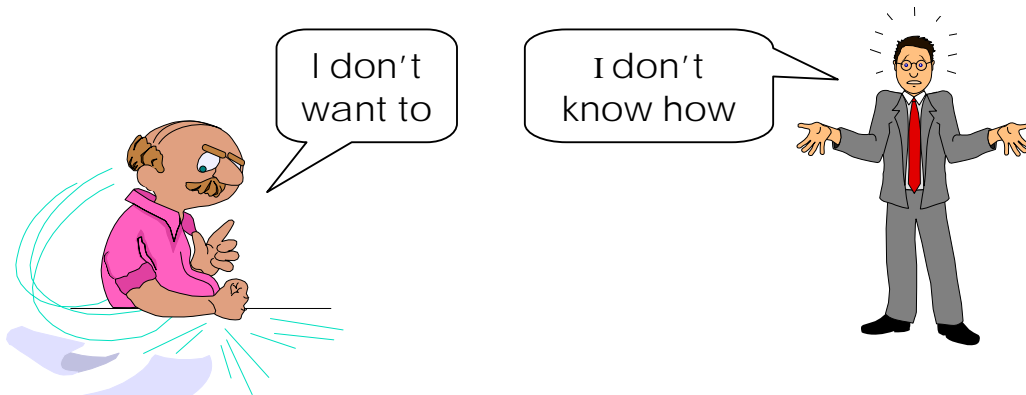
Make appropriate suggestions to management – Forget Training

**If Yes:** KSA

Proceed to for training solution – Implement Training

Training is only appropriate when it serves as a bridge to the gap between the desired and actual performance

**Is it a problem of skill or a problem of will?**

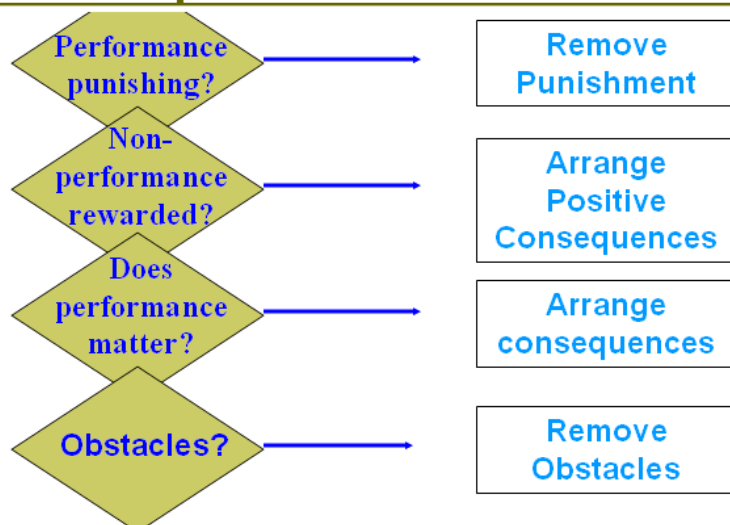


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### **If it is a problem of skill..**

- Provide training
- Provide practice
- Provide feedback
- Simplify the task
- Develop a job aid
- On-Job- Training
- Transfer
- Terminate

### **If it is a problem of will ..**



### **Generally (Cause and Solution)**

- If skill or knowledge or Attitude.....training
- If lack feedback.....feedback, standards
- If not motivated.....rewards, consequences
- If unclear expectations.....standard, measure, discuss
- If job environment.....change environment
- If potential.....change personnel

## Training Needs Analysis Model

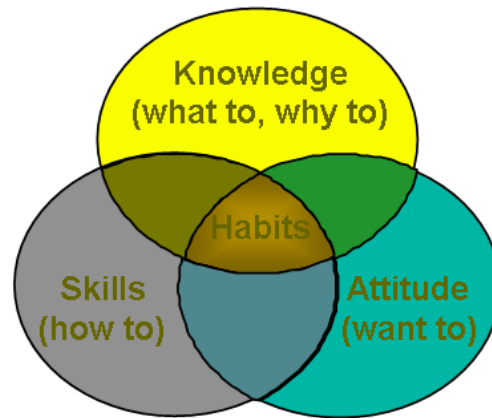


### 4. Task Analysis - KSA

- Break job into major functions
- Break functions into major tasks
- Break tasks into steps

## Skill (Psychomotor)

- Those tasks that are performed by hands or some other physical activities.



## Knowledge (Cognitive)

- Enduring mental characteristics or areas of personal capability that enable employees to successfully achieve outcomes or successfully perform tasks

## Attitudinal

- Address people's attitudes, values, or feelings to increase their awareness or personal competence.



## Training Needs Analysis Model



### 5. Learners Analysis

- Previous learner's KSA and skills
- How learners varied in knowledge & learning styles?
- Income and life style
- Language barriers
- Culture or religion or ethnic affiliation
- Merge / acquisition or company's culture
- Gender – How many? - How old?
- Job title - Length of services
- Nature of learners work
- What are learners' motivations, drives and interests?
- Learners' motivators and interests

# Training Needs Analysis Model



## 6. Constraints Analysis

- Make or buy? (Internal Vs External)
- Cost benefit Analysis
- Time of course
- Availability of resources (equipments, place, time, budget ...)
- Learners out of their jobs
- Accessibility to inform learners
- Corporate culture

## TNA in Practice

- Identifying learning needs for an **Individual Learner**
- Identifying learning needs for a **Group of Learners**

### Identifying learning needs for an **Individual Learner**

Identify particular learner that you think he/she needs a particular training

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**1. What is this learner's job?**

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**2. What are his/her main duties and tasks? (Job Description)**

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**3. What are resources needed for this individual to perform as expected? Resources in terms of:**

Tools & Equipment	
HR (Manpower) Given Learning and Training	
Financial Resources (Budget)	
Access to information	
Authority & Empowerment	
Time	

**4. Are all these resources available and functioning?  
If not, what are the ones he/she lacks and why?**

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**5. If these missed resources have been allocated, does this ensure the desired performance? If not, why?**

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- 6. What are the qualifications required from this individual to perform as expected versus the current ones? in terms of KSA:**  
Quantify if possible.

KSA needed to perform as desired (Job Description)	KSA are currently existed
Desired Knowledge	Current Knowledge
Desired Sills	Current Skills
Desired Attitude	Current Attitude

- 7. What KSA gap did you detect from your analysis?**  
(Quantify, as appropriate)

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- 8. What is the ultimate effect of this performance gap on the work?**

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9. Any other reasons why this individual is not performing as he/she expected? If yes, what are they?

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10. Does this performance gap arise because this individual lacks the ability (KSA) or lacks the interest to acquire them?

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11. If s/he lacks the ability (Knowledge, Skill and Attitude)	12. If s/he lacks the interest (Will)
If s/he does lack the necessary KSA required to perform job as expected, did s/he once have it?  <hr/> <hr/>	If he had lost the ability or never had it, Would s/he be interested in acquiring it or re-acquiring it?  <hr/> <hr/>
If s/he had the ability, why is s/he not using it?  <hr/> <hr/>	If s/he has the interest to acquire the skill, why so?  <hr/> <hr/>
If s/he did not have it before, is he/she capable of acquiring it?  <hr/> <hr/>	If s/he does not have the interest to acquire the skill, why so?  <hr/> <hr/>

**13. What are other recommended Solutions other than training?**

(Whether training is the solution or not?)

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**14. How can training solve the gap you have detected in terms of Knowledge, Skills and Attitude?**

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**15. What results do you expect of the training?**

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# Design & Development of Training Material

## Learning Objectives

- Identify Design and Development Model
- Formulate Training Objectives
- Design and Develop training material
- Design and Develop Training Activity
- Select the Learning Strategies
- Prepare the Training Venue

“There is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things.”

Machiavelli, The Prince, 1513

## **Before the Design and Development Stage**

### **After precise TNA, there are several factors to be considered in the Design and Development stage**

- Stand alone training or it's a part of wider training
- The number of the participants per course
- Course duration (in hours, 1-3 days, months or years)
- Course delivered days or months in row or on separately timing
- Before, during or after working hours or Training days
- Distance learning or training room
- Delivering information based or/& practical
- Needs space/ equipments/ tools/ resources
- Any pre requisites to the course (any needed qualification/ language)
- Any other sponsor's requests (attendance, participant's assessments...)
- Place where the course will be delivered
- Needs individual exercise, small sub-groups or the entire group

## General Training Course Form

Like a movie (Scenes). Like a book (Chapters). A training course (Modules)

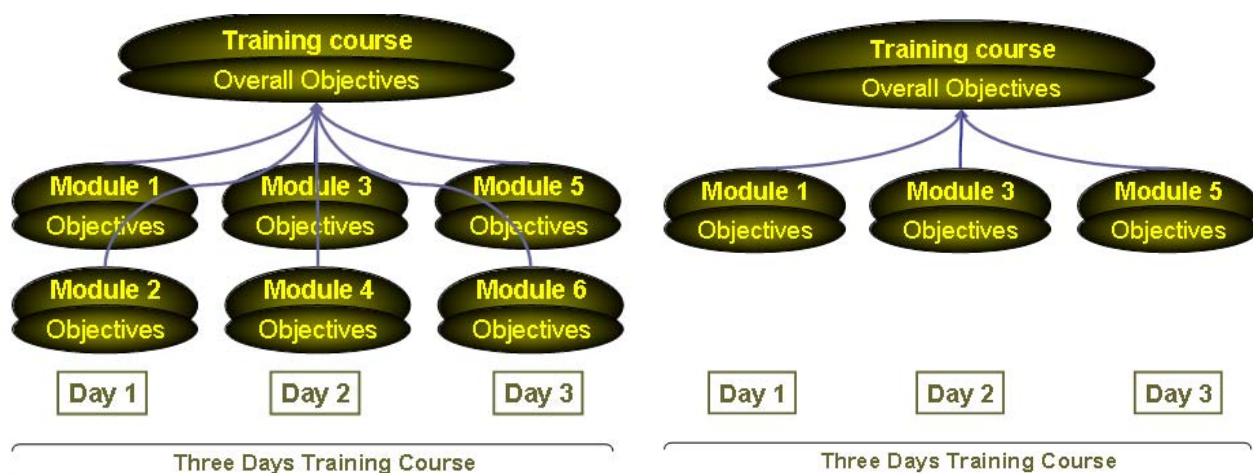
We need to have an overall view of what the entire training course provides, and then put the headlines we want to cover into main objectives ranged from 3 to 5 objectives.

Training program usually follow a modular approach. Training course is divided into modules, which represent a comprehensive unit, self contained blocks of comparable length, structure and value.

Break training program into modules that cover the whole training course. Each module has its own sub objectives, if we meet, then we have achieved the overall training course objectives.

After design and development of the training modules, with their objectives, modules are then gathered into one structured training course to check its harmony and comprehensiveness.

### Examples



## **Basic of Sequencing Material**

- Forces the trainer to organize material or content
- Helps the trainer stay on track
- Help to identify needed material, learning points and communication methods

## **Course / Program structure**

Every course follows a certain general structure regardless of contents

## **Unit/ Module structure for each**

Each unit in the course should follow a certain structure as well

- Every Module is then breakdown into sessions, each session is ranged from 1 to 2 hours

## **Remediation and Enrichment**

### **➤ Plan for Remediation and Enrichment**

Areas where you will need to check understanding or provide more knowledge

## Design

The purpose of design is to organize thoughts and sequence the material and activities to create the optimum learning experience and meet the learning objectives. It asks,

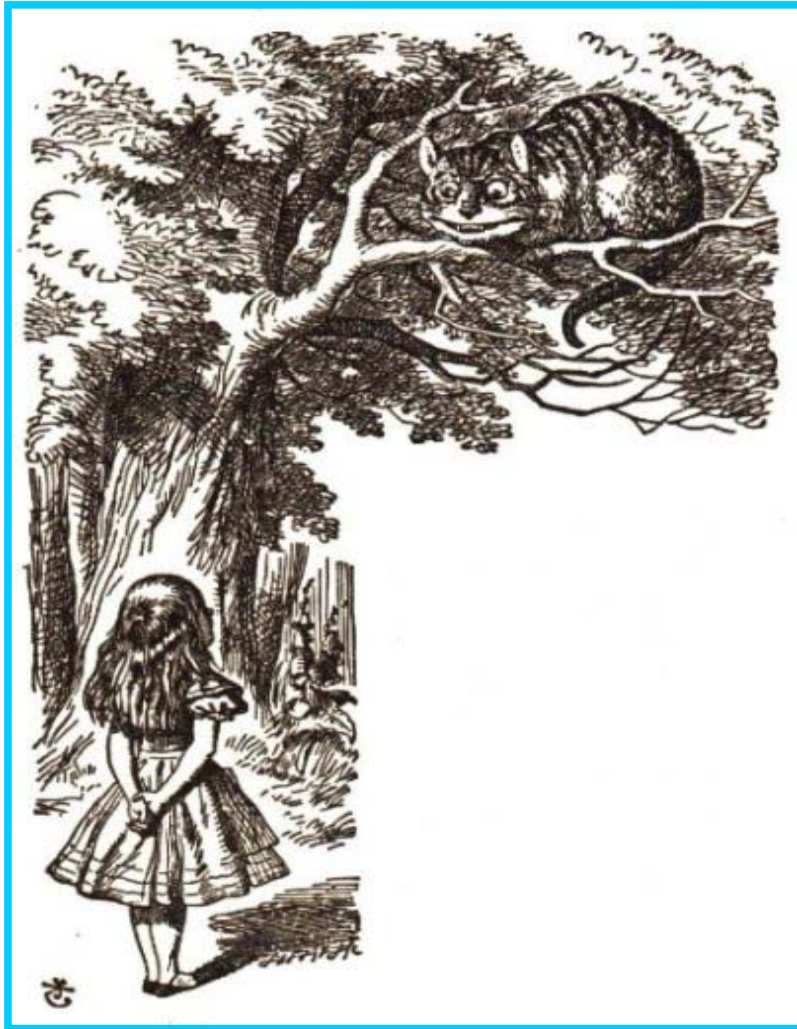
- What are the best delivery Methods/ Learning strategies?
- What media would be best?
- What job aids would be valuable?
- What exercises could be developed?
- What is the timeframe?

## Development

This is the phase where the designed material is converted into a structured training course material.

Prepare student and instructor materials (both print and non-print) as specified during design, it emphasizes,

- Create outline
- Review outline and sequence
- Flesh out the content
- Review content
- Where would exercises / activities add value?



*"Would you tell me, please, which way I ought to go from here?" Alice asked.*

*"That depends a good deal on where you want to get to," said the Cat.*

*"I don't much care where," said Alice.*

*"Then it doesn't matter which way you go," said the Cat.*

**An objective is ....**

A statement of the intended outcome of learning event which furthermore, states what the trainee will be able to do as a result of training.

## Like planning a trip ...

First, decide where to go (Objective),

Second, How you go there (Methods/Material)

## **Why Objectives?**

### **For Participants:**

- Indicate what learners are expected to achieve
- Give them a sense of direction
- What they will gain out of the training

### **For Trainer:**

- Help to plan & focus on the desired outcome
- Help him/ her to determine what material should be in
- Checkpoints for Measuring / Assessing tool / Sales tool

### **For the Sponsor:**

- What training will do/not do for the participants

## SMART Objectives

- Specific .....
- Measurable.....
- Actionable.....
- Relevant.....
- Time framed.....

## Scope of Objectives: Drawn From 3 Areas

### 1. Knowledge Development: (Cognitive)

Demonstrate acquired knowledge, comprehend information & analyze concepts.

### 2. Skill Development:

(Behavioural / Psychomotor)

Focus on being able to perform a task or procedure

### 3. Attitude Development: (Affective)

Address people's attitudes, values, or feelings to

Increase their awareness or personal values

Easier  
to  
measure

Difficult  
to  
measure

"If you don't know where you are going, you won't get there; but if, by chance, you do – you probably won't know you are there"



## Components of Instructional objective

### 1. **Task (Performance):**

Observable measurement behaviour / Task against certain criteria  
(What will be done?)

### 2. **Condition:**

The Condition under which the task should be performed  
(Material used/ needed)

### 3. **Level of acceptance (Against a Standard):**

Describe the extent to which the objective must be achieved  
(To evaluate performance)

➤ For Skill & knowledge objectives, use **Action Verbs**

By the end of this session, trainees you will be able to ....

#### **Some Measurable verbs**

- List
- Write
- Identify
- State
- Prepare
- Assemble
- Develop
- Conduct
- Define
- Adjust
- Analysis
- Assess
- Select
- Evaluate
- Measure
- Operate
- Demonstrate
- Compare

#### **Non-measurable verbs**

- ✓ Know
- ✓ Understand
- ✓ Enjoy
- ✓ Appreciate
- ✓ Grasp the meaning

- Employees will answer the customer calls within 3 rings using the standard greeting and script.

Task: .....

Condition: .....

Level of acceptance: .....

- Using the PowerPoint, employees will conduct a 30 minutes presentation

Task: .....

Condition: .....

Level of acceptance: .....

- Managers are required to write performance appraisals in following the appraisal format in 1 given week

Task: .....

Condition: .....

Level of acceptance: .....

- In 7 minutes, Trainer candidates will formulate training objective following these 3 components

Task: .....

Condition: .....

Level of acceptance: .....

## Formulate your training objective

Task: .....

Condition: .....

Level of acceptance (Standard): .....

Task: .....

Condition: .....

Level of acceptance (Standard): .....

## Formulate your overall training objectives

1-.....

2- .....

3-.....

4- .....

“It’s always helpful to learn from your mistakes  
because then your mistakes are worthwhile”

*Garry Marshall*

# Methods of Training Evaluations

## Learning Objectives:

- Identify the value of evaluation
- Components of evaluation
- Methods of training evaluations
- Follow up training results
- Select external training provider
- Overall diploma rehearsal

When I have fully decided that a result is worth getting I go ahead of it and make trial after trial until it comes.

**Thomas A. Edison**

## **Benefits of Evaluation**

- Assess quality of training activities
- Assess ability of the trainers to relate inputs to outputs
- Better discrimination of those that are worthy of support and those that should be dropped
- Better integration of training offered and on-the job development
- Better co-operation between trainers and line-managers in the development of staff
- Evidence of the contribution that training and development are making to the organization

## **Formative Evaluation**

- The purpose of the a formative evaluation is to improve the draft training program, thus, the training program is tested while it is under development and use the information internally to revise and improve before its launching and usage

## **Formative Evaluation Qualities**

- **Understandable:** Learners should be able to comprehend content on the 1st explanation
- **Accurate:** the material should be current and correct
- **Functional:** whether it is slides, printed pages or hands on exercise

## **3 basic types of Formative Evaluation**

- **Pilot tests or Dry runs**  
Testing the training course regarding the material, timing, and all other factors
- **Technical reviews:**  
It can be done through reading reviews or walk-through
- **Production reviews:** it focuses heavily on details

## **Criterion Development**

### **□ Criteria are:**

- Standards by which training is evaluated
- Measures of training effectiveness
- Based on needs assessment and learning objectives

### **□ Example**

- PowerPoint training learning objectives: “Trainees will demonstrate proficiency in use of software.”
- What does that mean? What criteria or outcomes will you use to measure “proficiency”?

## **Evaluation of Criteria**

### **□ Criterion Relevancy**

- Right on target: KSA’s in training and evaluation are KSA’s needed for successful job performance

### **□ Criterion Deficiency**

- Did you miss the boat? Did you leave out important job KSA’s in your training and/or training evaluation?

### **□ Criterion Contamination**

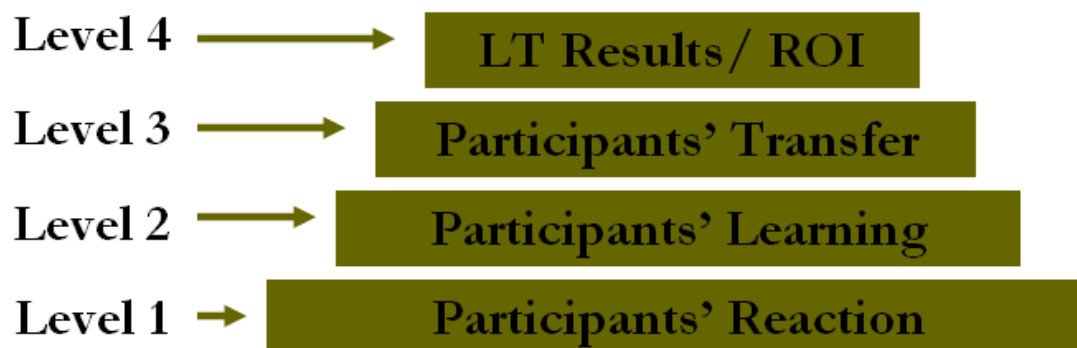
- Did you miss the ocean? Are you evaluating training based on:
  - KSA’s that were not covered in training?
  - KSA’s that are not needed in job?

Needs Assessment is critical for avoiding these problems.

## Kirkpatrick's 4 Levels of Evaluation

- A sequence of ways to evaluate instructional programs
- Each level is important
- None of the levels should be bypassed to get to a level that is considered more important
- As you move from one level to the next, the process becomes more difficult and time-consuming
- Each level provides more valuable information

## Four Levels of Evaluation



### Level 1: *Reaction*

- a measure of learners' reactions to the course

### Level 2: *Learning*

- a measure of what they learned

### Level 3: *Transfer*

- a measure of changes in their behavior after training

### Level 4: *Results*

- a measure of the business outcomes due to training

## Level 1: Reaction

- Level 1 assessment is described as the measurement of participants' reaction to the training program
- Immediate reaction of the learners. Their feeling about the effectiveness of the training & development, the amount of new learning & the degree of acceptance of the learning
- Sometimes called the “smiley face” level of assessment.



## Evaluation sheets

Course Evaluation															
Your Name: _____	Date: _____														
Instructor's Name: _____															
Workshop Attended: _____															
The course objectives were clearly stated.	<table><tr><td>strongly agree</td><td>5</td><td>4</td><td>3</td><td>2</td><td>1</td><td>strongly disagree</td></tr><tr><td></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td></td></tr></table>	strongly agree	5	4	3	2	1	strongly disagree		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
strongly agree	5	4	3	2	1	strongly disagree									
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I found the course materials useful.	<table><tr><td>5</td><td>4</td><td>3</td><td>2</td><td>1</td></tr><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr></table>	5	4	3	2	1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
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I found the class exercises valuable.	<table><tr><td>5</td><td>4</td><td>3</td><td>2</td><td>1</td></tr><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr></table>	5	4	3	2	1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
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The course met my expectations.	<table><tr><td>5</td><td>4</td><td>3</td><td>2</td><td>1</td></tr><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr></table>	5	4	3	2	1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
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The instructor was knowledgeable in the subject.	<table><tr><td>5</td><td>4</td><td>3</td><td>2</td><td>1</td></tr><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr></table>	5	4	3	2	1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5	4	3	2	1											
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>											

- Decide what you want to measure (Content, material, instructional, trainer, environment, logistics)
- Anonymous answers
- Use variety of response format
  - ✓ 2 choice questions
  - ✓ Complete the sentence
  - ✓ Ratings
  - ✓ Rankings
  - ✓ Checklists



## **Handling the Evaluations sheets**

- Keep it brief and appealing
- Create balance among various types of information collected.
- Wait till the end
- Explain the value to learners
- Consider anonymous evaluations
- Leave the room / have a drop box
- Read them!

## **Level 1: Reaction (Kirkpatrick, 1960)**

### **□ Advantages**

- Widely used and accepted, cheap and easy
- Early reaction measures allow for mid-training changes
- Good feedback on way course is taught

### **□ Disadvantages**

- Does not measure learning (KSA)
- Feel-good sheets and / or Central tendency
- Does not measure trainer's knowledge

## **Level 2: Learning**

- Level 2 assessment is described as assessment of subject matter achievement; tests designed to determine if participants learned what was set out in the curriculum.
- Immediate outcome, the degree to which the learners have achieved their training objectives
- Measures of course outcomes in terms of learning; knowledge, skills and attitude.
- Consider the type of tests that you want to use (subjective or objective)
- Consider the time needed to grade the test
- Consider the validity and reliability of each item
- Keep them fairly simple
- Remember .... The only appropriate questions (tests) are the one that emerge directly from the Training objectives

## **Advantages**

- More direct assessment of accomplishment of learning objectives
- More valid than reaction (self-report)
- Objective and quantifiable
- KSA oriented rather than reaction to trainer

## **Disadvantages**

- Time and cost

Need pre and post test to assess whether change has occurred in terms of KSA

Change due to training?

Format and scoring consideration

- make sure questions are comparable
- Essay versus Multiple choice

### **Level 3: Transfer/Behavior**

- Level 3 assessments is defined as the measurement of the transfer of information, skills, and attitude imparted during the training intervention to the participant's behavior in the workplace.
- Measures of on-the-job behavior that might be due to the effects of the education.
- Extent to which the learning is put into effect back in the workplace.

### **Observation**

One of the assessment tools where the trainer watches the participation and application of skills, tools and techniques during or after the training session.

#### **□ Advantages**

- Measures transfer of training to job setting
- Stronger case for effectiveness of training
- Good feedback for future TNA and re-design

#### **□ Disadvantages**

- Need to know what constitutes successful job performance; depend on good task analysis in NA
- Can't control when or whether trainees will have chance to use new skills (opportunity bias)
- Effort, Cost and time

### **Types of level 3 assessment:**

- Use 360 degrees questionnaire (Involve participants, supervisors, peers and subordinates)- Pre/Post training performance appraisals.
- Use 360 degrees interviews – Pre/Post
- Before/after measures of job performance
- Follow up measures 3 months or more after training (lag effect)
- Compare to control group that did not receive training

### **Level 4: Results/ ROI**

- It measures the impact of the training on the organization
- It demonstrates how the training contribute in accomplishing the organizational objectives and goals
- Do not forget: the areas of measurement must be the same identified in the needs assessment.
- Level 4 assessment is defined as the calculation of return on investment (ROI) from the training function on organization benefits.  
Measured by: Sales, Error/Defect Rates, Customer Complaints, Customer Service Ratings, Legal Actions, Productivity, Employee Retention and better morale
- Measures of the effects of changes in on-the-job behavior on organization's goals and performance.

## **Types of measurements:**

### **Achieving Targets**

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>➤ Productivity</li><li>➤ Processing Time</li><li>➤ Profit</li><li>➤ Operating Cost</li><li>➤ Rates of meeting deadlines</li><li>➤ Cost/Income ratio</li><li>➤ % of tasks incorrectly done</li></ul> | <ul style="list-style-type: none"><li>➤ Level of variation in product</li><li>➤ Ability to cope with circumstances</li><li>➤ Time to reach job competency</li><li>➤ levels of supervision required</li><li>➤ Frequency and costs of accidents</li></ul> |
|---|---|

### **Attracting Resources**

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>➤ Increase in number of clients</li><li>➤ New markets entered</li><li>➤ New branches opened</li><li>➤ Ability to cope with external changes</li></ul> | <ul style="list-style-type: none"><li>➤ Increase in the pool of trained staff</li><li>➤ skills for future job requirement developed</li><li>➤ Flexibility in meeting changing customer's requirements</li></ul> |
|---|---|

### **Satisfying Interested Parties**

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>➤ Clients complaints</li><li>➤ Product or service quality</li><li>➤ Awareness of clients problems</li></ul> | <ul style="list-style-type: none"><li>➤ Program image surveys</li><li>➤ Clients relations surveys</li><li>➤ Surveys within the organization</li><li>➤ On-time deliveries</li></ul> |
|---|--|

## **Level 4: Results/ ROI**

### **□ Advantages**

- Cost-benefit analysis. Relation of training to costs, turnover, production, bottom line...
- Total cost to produce training program and attempts to quantify the benefit
- Provides information for utility analysis
  - Does training decrease costs associated with poor selection?
  - How does formal training compare with on-the-job training?

### **□ Disadvantages**

- Outcomes are multi-determined - difficult to show relation between training and outcomes
- Positive relationship: Is it really due to training?
- No relationship: Was it too much to expect?
- Negative relationship: ????
- Difficulty to build straight relation between training and overall outcomes

## **Summative Evaluation**

1. What happened in Training?  
Did learners Like it?
2. Were learning outcomes achieved?  
Was student performance improved?
3. Were the outcomes transferable to real situations?
4. What were the wider effects?  
On students, staff departments, institution...

## **Implications for Evaluation**

- The better the instructional design, the easier it is to do instructional evaluation and program evaluation
- Success of instruction is measured in Level 2
- Instruction can never take complete credit for “real world” performance or ROI
- This doesn’t mean that we can not evaluate whether our goals have been achieved

## **Possible measures**

- **Cognitive outcomes (Noe, 1999)**
  - Example: safety rules, electrical principles
  - Measured: Work sample, Pencil and paper tests
- **Skill based outcomes**
  - Example: Use a jigsaw, land airplane, listening/coaching skills
  - Measured: Observation, work sample, ratings
- **Affective outcomes**
  - Example: Satisfaction with training, beliefs about other cultures
  - Measured: Interviews, attitude surveys

➤ **Results**

- Example: Absenteeism, accidents, patents
- Measured: Observation, performance records

➤ **Return on Investment**

- Example: Dollars
- Measured: Cost benefit analysis

**Other Criteria Classifications**

- ❑ Outcome (Behavior/Results/Learning) vs. Process (Reaction).
- ❑ Objective v. Subjective
- ❑ Formative (evaluate training process/reaction) v. Summative (trainee change/learning, behavior, results).
  
- ❑ Time
  - Immediate (taken during training; mid-term evaluations)
  - Proximal (advanced training or shortly after training is over)
  - Distal (taken a considerable time after training: transfer)
  
- ❑ Norm v. Criterion References
  - Norm: graded on curve
  - Criterion: absolute threshold needed



### **Guidelines for Criterion Development**

- Use **MULTIPLE CRITERIA** (reaction, learning, behavior and results)
  - Different levels give different information
  - Agreement/disagreement among levels
- Criteria derived from **LEARNING OBJECTIVES AND NEEDS ASSESSMENT**
- Ensure **CRITERION RELEVANCY AND RELIABILITY**
- Use **CRITERION BASED** measures for critical outcomes (i.e., how to fly a plane, drive a car)
- Use both **LONG AND SHORT term** measures

### **Select External training provider**

- Company's reputation is one factor.
- Big names don't usually give the highest quality.
- Don't get fond by the training proposal
- Attend a training for the company
- Ask for the bio of the training and ask to interview him
- Discuss every details
- Stress on training objectives and outcome
- Focus on how training objectives are going to be met
- Ask about the 4 levels of evaluation

### **Notes:**

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## **MODULE**

# 6

## **Performance Management**

### **Learning Objectives**

- Performance Management Misconceptions
- From traditional to new concepts
- Define Performance management
- Corporate culture and Performance Management
- Performance Management System Model
- Performance management vs. performance appraisal
- Performance Planning
- Performance Monitoring
- Performance Appraisals
- Learning and Development

# Performance Management (PM)

## Performance Management Misconceptions

Most people associate PM with concepts such as:

- Performance Appraisal
  - Performance-related pay
  - Targets and objectives
  - Motivation and discipline
- Yet, performance management is much more than this.
  - The Performance Management Concepts have changed over recent years.

## Shift to a New Concepts

<i>Old Paradigms</i>	<i>New Concepts</i>
<ul style="list-style-type: none"><li>• An annual / semi annual event</li></ul>	<ul style="list-style-type: none"><li>• A continuous process</li></ul>
<ul style="list-style-type: none"><li>• Assessment only</li></ul>	<ul style="list-style-type: none"><li>• Assessment and development</li></ul>
<ul style="list-style-type: none"><li>• Superficial evaluation of personality</li></ul>	<ul style="list-style-type: none"><li>• Specific evaluation of behavior</li></ul>
<ul style="list-style-type: none"><li>• Loosely associated with the business cycle</li></ul>	<ul style="list-style-type: none"><li>• Closely related to the business plan</li></ul>
<ul style="list-style-type: none"><li>• Superficial objectives</li></ul>	<ul style="list-style-type: none"><li>• Specific objectives</li></ul>

## Definition

**Performance Management** is an ongoing process of communication between a Manager and a subordinate that occurs regularly, in support of accomplishing the strategic objectives of the organization.

PM process includes setting objectives, identifying goals, providing feedback, and evaluating results.

## **Benefits of an Effective PM System**

- Establish clear performance standards at the beginning of the performance cycle
- Promote good Manager - Employee relations by providing opportunities for timely feedback
- Provide a rational “objective” basis for evaluating performance
- Improve individual, team and organizational performance
- Reach individual’s targets and organizational objectives.
- Identify ways to release potential & improve future performance

## **The need for Performance Management**

### **For Management**

- Employee productivity
- Customer satisfaction
- Employee job satisfaction
- Quality of products and services
- Degree of innovation
- Improve organizational results

### **For Employees**

- A good relationship with their leaders and coworkers
- Meaningful work
- Safety in the workplace
- Opportunities for growth and advancement
- A clear understanding of work objectives

## Into the heart of the organization

- PM gets to the very heart of the organization.
- It needs to reflect and support the organization's culture, strategy and style.
- It is the way to communicate to people:
  - What is expected of them?
  - What they will be rewarded for?
  - How they should deliver results?
  - What results the organization is looking for on a Business-wide scale?



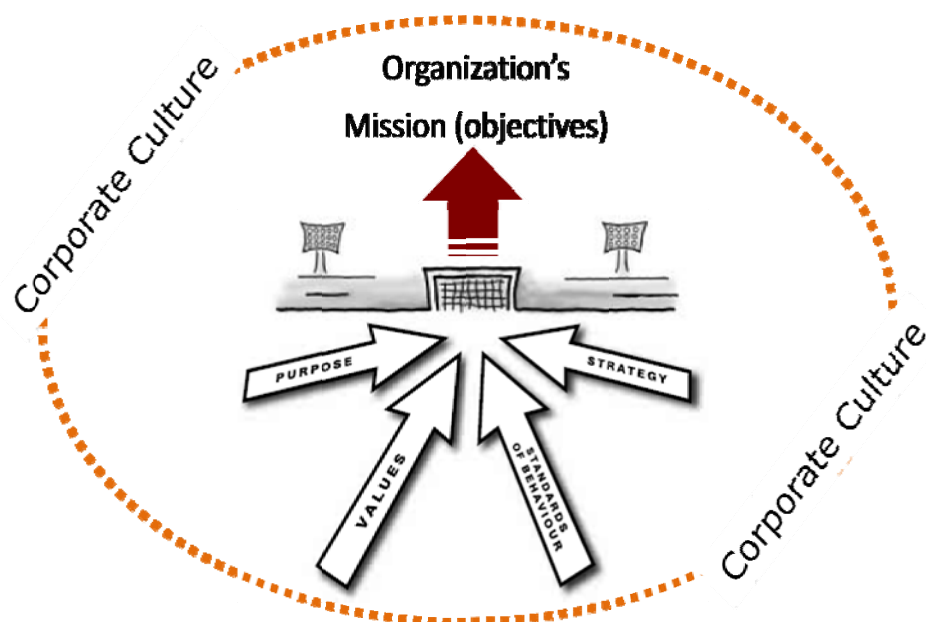
## Organization's Culture

Norms of Behavior and Shared Values among a group of People.

### Major Composites of Culture:

- **Shared values:** what we think is important.
- **Beliefs:** how we think things should be done.
- **Norms:** the way we do things around here.
- **Heroes:** the people who personify corporate values
- **Systems:** the written & unwritten ground rules

## Culture and Organization's Objectives ...



### **Aligning all for success**

A well-planned and implemented approach to PM can achieve this sense of mission by providing:

- Clarity on the organization's overall goals
- A framework for linking strategies and priorities to jobs
- Greater clarity on role requirements from to employees
- Recognition of success and regular feedback
- A clear basis for promotion
- A framework for development and improvement

### **Case for discussion**

Consider a sales organization which recognizes that customer service is vital in maintaining competitive advantage. An extensive customer service training programme is completed, yet customer feedback indicates that there has been little improvement.

This is because targets and incentives were based on volume of sales and not service. People will always focus their efforts on the areas of work for which they are rewarded.

The reward system needs to be altered to reflect the emphasis on service. It also needs to recognize the contribution of all members of the team, including back-office support.

# **Performance Management System Model**

## **Performance Planning**



## **Performance Planning**

### **What this stage is about?**

At this stage, employees need to know what is expected of them and why.

By helping employees focus on the objectives they need to achieve, in relation to both targets and promontories and professional attitudes and behavior.

### **Key Responsibilities - Job Description (JD)**

- For every position, a JD exists to tell employees exactly what they are to do in their jobs.
- Assessment requires one step further to identify the specific results you expect from an employee over a given period of time.
- Performance objectives tell employee what, how, when and with what results you want their job done.

### **Performance Objectives (PO)**

- Setting Objectives, explain against what staff are being measured, set objectives in order to change or enhance performance.

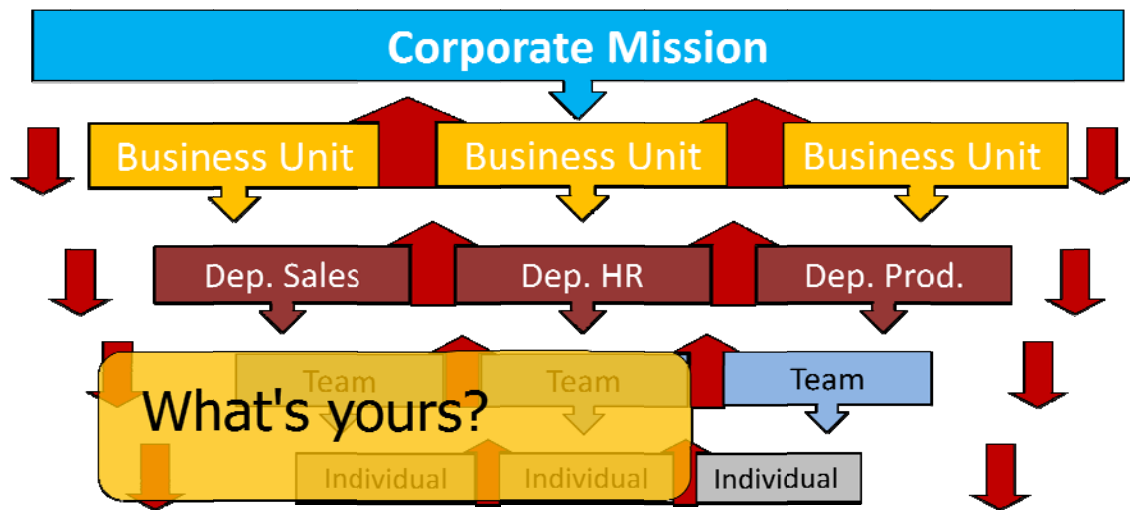
### **Why Performance Objectives?**

- PO is a tool for management to manage
- Help department/unit meets goals
- Provide clear direction, results, events & time frames.
- Encourages employees' involvement and commitment
- Organizations, teams and individuals are measured by the extent to which they meet their objectives.
- Help to identify specific strategies for coaching.
- It is impossible to evaluate, assess and pay for what cannot be measured, observed or traced.
- In the absence of objectives, managers tend to judge performance in subjective ways using generalities rather than facts & figures.

## Performance Objectives cascade on all levels

- Objectives are set at all levels of organization.
- Objectives ensures commitment at the management & employees levels.
- Objectives are then achieved through cascading the corporate or strategic objectives into individual jobs.

## Setting Objectives - Broken down into Sub-Objectives



## Setting SMART Objectives

- Specific
- Measurable
- Achievable
- Realistic
- Time framed

## **Objectives use *Action Measurable Verbs***

### **Measurable performance verbs**

- ✓ List
- ✓ Write
- ✓ Identify
- ✓ State
- ✓ Prepare
- ✓ Assemble
- ✓ Develop
- ✓ Conduct
- ✓ Define
- ✓ Compare

### **Non-measurable verbs**

- ✓ Know
- ✓ Understand
- ✓ Enjoy
- ✓ Appreciate
- ✓ Grasp the meaning

## **Setting SMART Objectives**

Make your SMART Objectives

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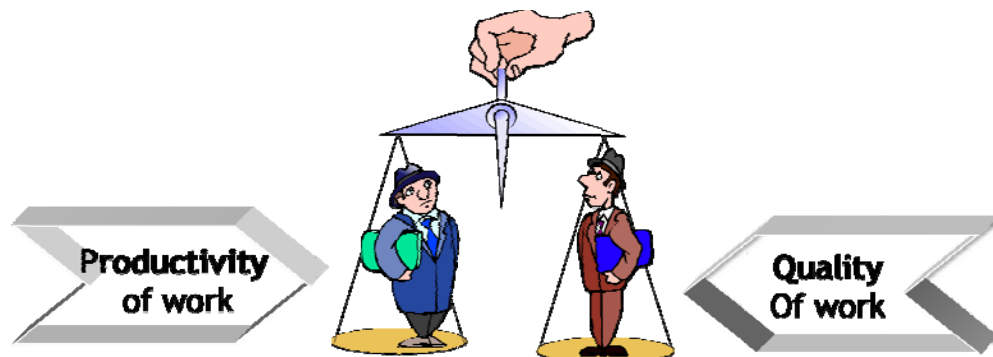
## Into an action Plan

(Task/ Activity) <u>What</u>	Starting Date <u>When</u>	Deadline) <u>When</u>	(Parties involved) <u>Who</u>	Tools & Resources needed <u>With what</u>	Obstacles may arise (if any) Cost / Time /Resources	Contingency actions <u>What ... if?</u>

### SMART Objectives Checklist

- Support Organization and/or division Goals
- Measurable with Qualitative and Quantitative Statements
- Achievable (supported by adequate authority & resources)
- Results-oriented, Specific & Clearly Worded
- Challenging-attainable with extra effort
- Discussed and clarified
- Timeframe stated
- Backed by an action plan
- Monitored by review dates

### Objectives have to balance between ...



### Sources for Creating Objectives

- Previous performance plan objectives,
- Employee input,
- Job description,
- Division and department plans,
- Objectives of next higher level,
- Key result areas,
- Discussions with supervisors, peers, internal customers.
- Organizational problems and opportunities.

### Objectives based on JD's

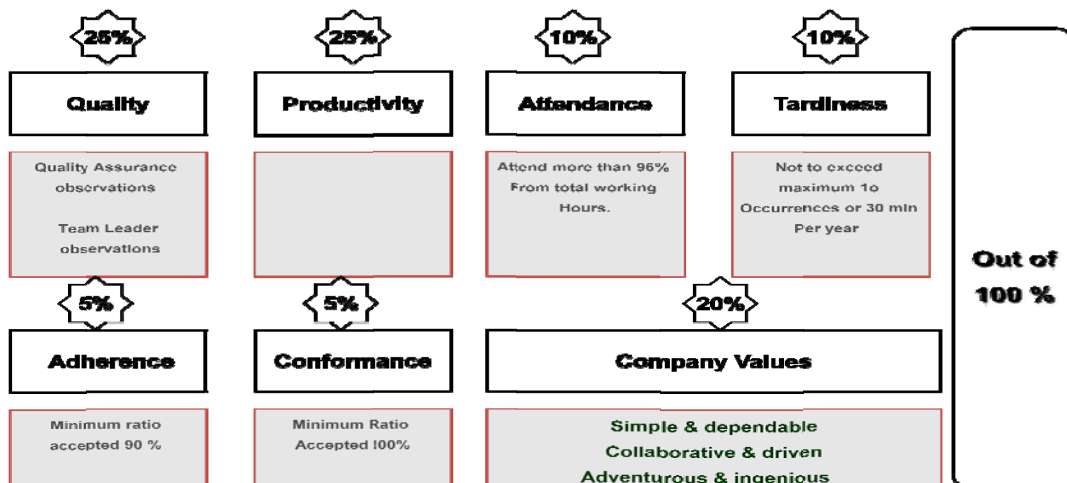
- **JD will state a responsibility this way: (KSA)**

“Assembles and connects all components on the main circuit board of X machine and perform diagnostic check Y before approving the board for assembly.”

- **Now, a performance objective based on this will be:**

“To assemble and check an average of 12 main circuit boards per day, with quality rejection rate not to exceed 1 per day. After 6 months, rate to increase to 15 with no increase in quality rejection.”

### Key Performance Indicators (KPI's)



# **Performance Management System Model**

## **Performance Monitoring**

## Performance Monitoring

### **What this stage is about?**

At this stage, managers support and encourage employees to deliver the required objectives and results throughout the year(s) in an effective ongoing way including opportunities for personal and professional development.

### **This stage includes:**

- Observe and Monitor
- Support and Motivate
- Coach
- Deliver feedback (1 on 1)

### **▪ Observing and Monitoring**

- Direct and indirect observation
- Find formal and informal opportunities to watch an individual in action
- Look for patterns and ask why
- Consider impact of behavior on others.
- Seek others' input, as needed.

### **▪ Coaching - Definition**

- Coaching is the art of improving others' performance
- Develop and improve the ways employees do their job.
- Gives opportunity to speak in confidence about problems.
- Allows employees to learn and grow at their work.
- Create continuous and development opportunities
- Achieve employees' and organizations' goals.

## **Business Coaching**

- Research shows that productivity, skill development, morale, and working relationships all improve dramatically when training is combined with coaching.
  - Training Alone = 22%
  - Training + Coaching = 86%

## **Coaching is and is not ....**

<p><u>C</u>omes alongside <u>O</u>bserves carefully <u>A</u>sk questions wisely <u>C</u>ommunicates options <u>H</u>olds accountable</p>	<p><u>P</u>reach <u>C</u>ounseling <u>F</u>ixing people <u>D</u>oing it for them <u>P</u>olicing</p>
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## **Characteristics of a good COACH**

Positive	Enthusiastic
Supportive	Trusted
Focused	Goal-oriented
Knowledgeable	Observant
Respectful	Patient
Clear	Assertive

## **Your Role as a Coach**

- Help your subordinate to come up with their own ideas and solutions to problems.
- Not to provide them with your thoughts & solutions.
- Ask questions and prompt their thinking rather than just provide answers.



### **Coaching Competencies**

- Build Rapport
- Observe and Analyze
- Question and Listen
- Provide Feedback
- Facilitate Learning

### **Value of feedback**

- Improves self-awareness
- Enhances self-esteem
- Raises morale
- Encourages people to learn
- Offers support
- Can be motivating
- Helps build relationships
- Improve individual & team performance

### **Effective feedback**

- is focused on behaviour
- is based on observation
- is given in good time
- ideally, is given face-to-face
- covers both positive and negative outcomes
- Is important and constructive (“you could do more of...”)
- looks at whole job
- deals with attitude as well as actual outcomes

### **Giving Feedback**

- Build trust and rapport - Be honest
- Give feedback directly after a particular behavior.
- Be descriptive, non-judgmental and specific.
- Disclose your own feelings or position
- Consider both; your needs and needs of the receiver.
- Make sure that the message is understood.

- Feedback should not be imposed. "let me give you some feedback!" rarely works.
- Ask for upwards feedback too (what can I do better to support you?)

### **Receiving feedback**

- be open
- listen carefully
- avoid filtering
- ask questions
- be prepared to contribute
- decide to take action

### **One - on – One session**

- Maintain log
- Mid-Year review
- Refine responsibilities
- Refine objectives
- Revisit priorities

# **Performance Management System Model**

## **Performance Appraisal**

## Performance Appraisal

### What this stage is about?

At this stage, employees know that their contribution is valued and that their results and achievements really do make a difference to the team and the organization.

- Overall assessment of individual's performance against the performance criteria established before

### Some PA comments

- “We’ve gone through the annual ‘torture-fest’ – all for a lousy 3% raise!”
- “My boss must be getting ready to fire me – all she talked about was every little mistake I made this year.”
- “I had a really productive discussion with my boss about the things I do well, some new projects I’ll take on and some training to help build my technical ability.”

### What is a Performance Appraisal?

- The Term “**Appraisal**” is generally accepted to mean a formal procedure of evaluating performance in a given period, against set standards and which includes a face to face interview with the person being interviewed.
- A sensitive PROCESS that requires Serious Attention, Mental Shift, Management Persistence, Tolerance and Extreme Fairness.

### Why performance appraisal?

- To provide a clear & formal channel of communication on current performance from company perspective, objectives, goal setting, career & development programs.
- Measure the degree of utilization of each employee's competencies & performance.
- To serve as a major support for salary administration, connecting performance to pay, quality job performance.

## Timing of Performance Appraisals

**Annually or semi Annually?**  
**Anniversary or common date?**



### Who Appraises?

- The direct supervisor/manager.
- Also, the appraiser's manager reviews and endorses the appraisal.

### Compile / Review data

- Collect the data regularly over entire period
- Such data will be compiled as more solid information
- Compiling this information effectively requires a dedicated approach throughout the whole period.
- Review recorded data to decide how to use this information
- This information will determine how well employees meet their objectives & performed against key factors.
- Relate information to performance objectives.
- Data has to be valid, factual, accurate and fair.
- Written records (i.e. attendance, assignment logs, status reports, performance awards, letters of recognition, etc.)
- Look for evidences that support your discussion
- Do not twist appraisal by only observing as time comes closer
- Avoid misrepresentation of data
- Make a memo of significant changes.

### **Employee self - Appraisal**

- Have the employee complete the evaluation form first.
- Engages employee as partner in managing performance
- Alerts supervisors to differences in how performance is viewed
- Provides source of information about organizational or operational issues that influence performance
- Ask them to get the facts of last years performance
- Recommend writing a Summary of list of what they have accomplished during the period.

### **Manager fills out PA form**

- As a manger, complete the evaluation form listing strengths, areas of development, accomplishments, and future goals.
- Try to connect the categories on the form with the responsibilities of the employee (JD's)
- All ratings that are a 1 or a 4 should have documentation that supports the rating.
- Plan how will you explain to the employees how they can achieve a higher rating in each category

### **Common Appraisal Errors**

1. Standards not adequately defined
2. Over-emphasis on recent performance
3. Relying on own gut feeling and perception
4. Basis for appraisal not understood by Employee
5. Documentation not sufficient or clearly written
6. Inadequate time allocation for discussion
7. Too much talking by evaluator
8. No action or follow-up plan

### **Rating Scale**

#### **Identify Rating Differences**

- Exceeds Job Expectations - Excellent
- Meets Job Expectations - Good
- Partially Meets Job Expectations - Acceptable
- Does Not Meet Job Expectations – Unsatisfactory

### **Weighting Goals**

- Provides employee and supervisor with common understanding of which are most important to success
- Helps in monitoring activities that are critical to organizational goals
- Priorities may change during course of the year
  - Numeric Rating Levels
  - Lettered Rating Levels

### **PM Ratings and Merit**

- Important to maintain integrity of evaluation ratings
- Ratings aid in the determination of merit increases
- Ratings recognize and reward staff members for performance contributions
- Employee receives percent of increase aligned to their performance rating level
- Employees are well aware of the impact of ratings and merits results.
- Merit increases are based on state budget allocations

### **Common Rating errors ...**

- Similar to Me. Tending to rate people up if they are similar to me or vice versa.
- Positive Leniency. Rating higher than people deserve.
- Negative Leniency. Rating lower than people deserve.
- Halo/Horn effect. Excessively influenced by a single favorable/unfavorable trait, which colors the judgment of the individual, other traits.
- Attribution Bias. Tending to see poor performance more within the control of the individual and superior one as more influenced by external factors.
- Stereotyping. Generalizing across a class, not recognizing individual differences.
- Contrast Effect. Evaluating employee relative to the person last evaluated.
- First Impression. Forming initial positive or negative judgment then ignoring/distorting data that can change initial impression.
- Central Tendency. Playing safe. Placing people in the middle of the scale.

### **Preparing for the Interview**

Being prepared for the Performance Appraisal Session will make the process far more efficient and effective

- Focus on two areas; first employee, then yourself
- Schedule a mutually agreed upon time and place to meet.
- Talk with employee few days prior to scheduled appraisal
- Allocate enough time and inform employee about it
- Do not discuss performance, just a friendly reminder

### **In PA session, consider the following ...**

- Approach the PA as just a process, not an activity.
- Preserve mutual respect and trust.
- Use specific, objective and quantifiable data when discussing performance problems.
- Focus on the problem, not the employee.
- Focus on the effect or outcome of behavior, not the cause.
- Do not blame or accuse, it does not solve problems.
- Concentrate on outcomes you want to avoid in the future.
- Avoid making large or overall judgments. It is less threatening to deal with small concepts first.
- It is easier for employees to accept SMALL area which requires improvement.
- Than to accept SWEEPING OVERALL judgment not as positive as they might have expected.
- An initial friendly greeting & Maintaining rapport reduces tension (call by name, maintain smile & eye contact)
- Encourage them to talk. Do not dominate talking.
- Allow time for employee's own inputs & perspectives
- Truly listen very carefully
- Have a clear plan for accomplishing meeting's agenda, topics for discussion
- Be prepared with data and needed evidences
- Discuss shortfalls,
- Never get bored, impatient, tensed or show any bossy kind of attitude
- Discuss setting objectives & establishing a plan,
- Discuss & agree performance plan and development plan,



- Once all areas have been covered, discussed and agreed upon, have employee sign and date the appraisal and close the meeting with brief motivating comments.

### **Beware of these Comments in PA**

- Young, solid performer
- I hope we can keep the employee forever
- Has done okay despite being overworked and underpaid
- Has great attitude
- Couldn't run the department without her
- Not bad for an old timer
- Careless on the job
- Undependable
- Is attractive and has potential

### **Does “One Size Fit All”?**

Consider if one evaluation form should/can be used for all employees, or if separate forms should be used, based on:

- Staff level
- Nature of work performed
- Business unit

# **Performance Management System Model**

## **Learning and Development**

## **Professional Development Plan**

- While sometimes growth opportunities may be limited, it is important to develop staff skills and provide experiences that will enrich their professional lives
- A shared responsibility between employee & manager/sup.
- Development goes beyond formal training courses: may include cross-training, temporary project assignments, on-the-job training and mentoring
- Should include timetable for learning skill and how it will apply in the employee's job
- May include indicator of priority and/ or capacity

## **Professional Development Plan (EDP)**

Addresses specific skills needed to enhance an employee's performance. The major aspects of the EDP are:

- Involving the employee,
- Consider improving performance in current job,
- Consider possible future advancement,
- Consider enrichment activities,
- Obtain dual acceptance of development needs.
- Share the responsibility.
- Employees should define a career goal,
- Dedicate time & energy to the activities to develop the requisite skills & knowledge.
- Manager should assess development activities, encourage and offer specific development recommendations.
- Generic & specific development needs are identified
- Discussed and agreed to by the employee and the manager.
- Establishing target dates for completion and assigning responsibility for the development activity

## **PM in a nut shell**

- Know what you want
- Express what you want
- Describe what it will look like
- Set the parameters
- State how you intend to measure
- Implicitly and explicitly offer incentives

## **MODULE**

# **7**

## **General Compensation Management**

- Strategic compensation planning.
- Methods in compensation planning.
- Factors in determining pay rates.
- Explain how to price managerial and professional jobs
- Discuss current trends in compensation
- Incentives for individual employees, managers and executives.
- Develop effective incentive plans.
- Insurance and other job benefits
- Discuss the main retirement benefits
- Flexible benefit employee programs

# Compensation Management

## Corporate Policies, Competitive Strategy & Compensation

### Aligned reward strategy

- ✓ The employer's basic task is to create a bundle of rewards—a total reward package—specifically aimed at eliciting the employee behaviors the firm needs to support and achieve its competitive strategy.
- ✓ The HR or compensation manager will write the policies in conjunction with top management, in a manner such that the policies are consistent with the firm's strategic aims.

## Compensation Policy Issues

- ✓ Pay for performance
- ✓ Pay for seniority
- ✓ The pay cycle
- ✓ Salary increases and promotions
- ✓ Overtime and shift pay
- ✓ Probationary pay
- ✓ Paid and unpaid leaves
- ✓ Paid holidays
- ✓ Salary compression
- ✓ Geographic costs of living differences
- ✓ Salary compression
- A salary inequity problem, generally caused by inflation, resulting in longer-term employees in a position earning less than workers entering the firm today.

## Equity and Its Impact on Pay Rates

### The equity theory of motivation

✓ States that if a person perceives an inequity, the person will be motivated to reduce or eliminate the tension and perceived inequity

### **Forms of Equity.**

#### External Equity

How a job's pay rate in one company compares to the job's pay rate in other companies.

#### Internal Equity

How fair the job's pay rate is, when compared to other jobs within the same company

#### Individual Equity

How fair an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company

#### Procedural Equity

The perceived fairness of the process and procedures to make decisions regarding the allocation of pay

### Methods to Address Equity Issues

- ✓ Salary surveys
- ✓ Job analysis and job evaluation
- ✓ Performance appraisal and incentive pay
- ✓ Communications, grievance mechanisms, and employees' participation

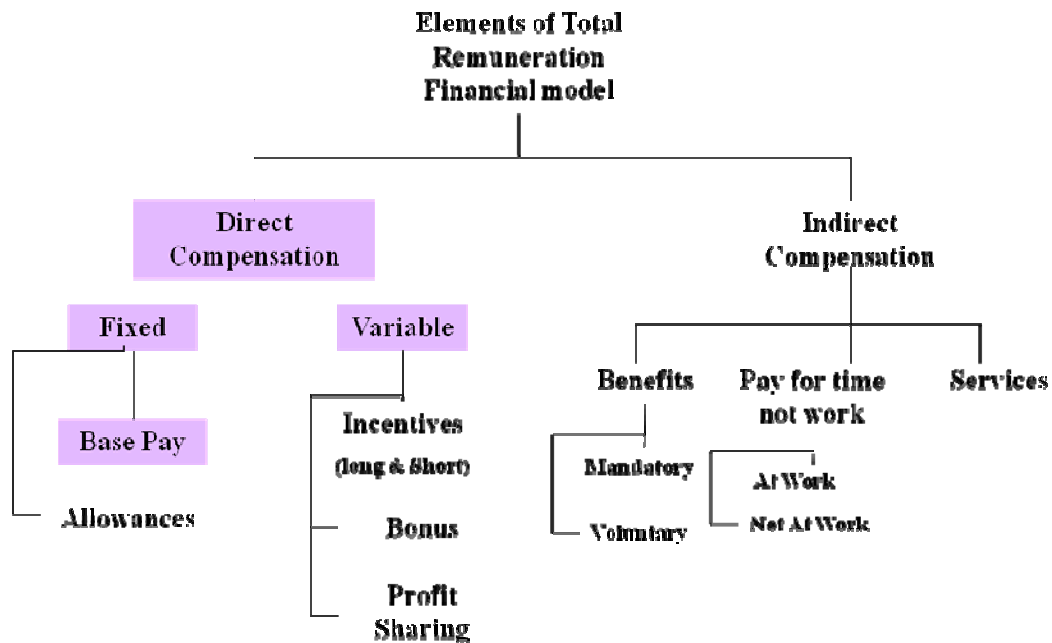
## Total Remuneration model

It is all the elements and components available to an employer that might be used to attract, retain and motivate the right employees, at the right time.

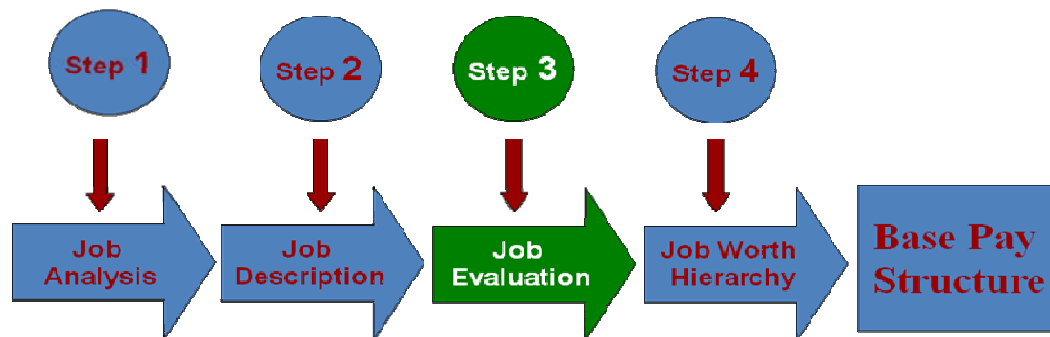
### Goals of Remuneration

- ✓ Attract
- ✓ Retain
- ✓ Motivate
- ✓ Spend wisely
- ✓ Align people
- ✓ Reward Behaviors

### Total Remuneration model' Elements



# Establishing Pay Rates



## Step 3. Job Evaluation

A systematic comparison done in order to determine the worth of one job relative to another.

### Compensable factor

A fundamental, compensable element of a job, such as skills, effort, responsibility, and working conditions.

### Why Job Evaluation

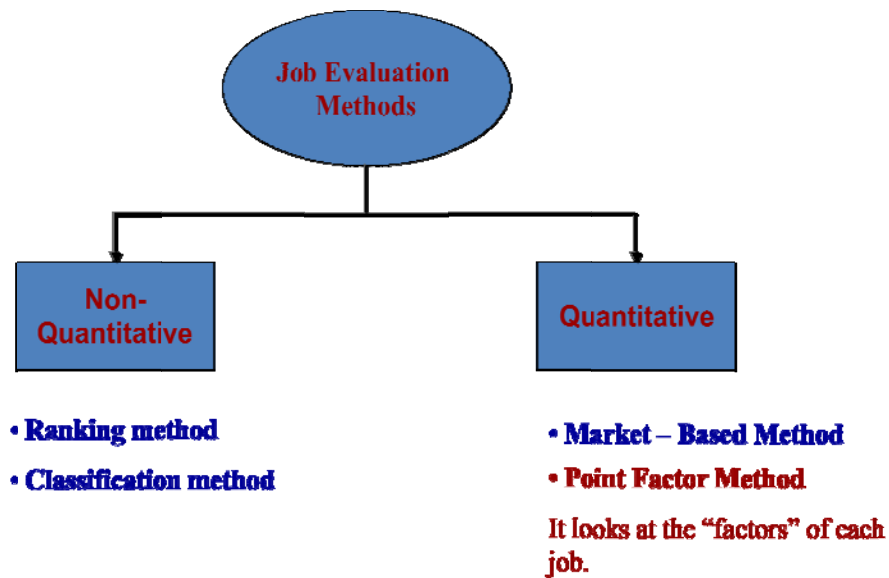
- ✓ Helps set pay rates comparable to those for similar jobs
- ✓ Give structure for correlating job worth.
- ✓ Identify opportunity for upward movement and development opportunities.



## Preparing for the Job Evaluation

- ✓ Identifying the need for the job evaluation
- ✓ Getting the cooperation of employees
- ✓ Choosing an evaluation committee.
- ✓ Performing the actual evaluation.

## Job Evaluation Methods



## Ranking Methods

### Simple Ranking Method:

#### Definition:

Ranking each job relative to all other jobs, usually based on some overall factor.

#### Steps in job ranking:

- ✓ Obtain job information (job descriptions).
- ✓ Identify selected groups of jobs (job set).
- ✓ Rank order jobs within the set

## **Paired-Comparison Method:**

### **Characteristics:**

- ✓ Ranking a large number of jobs.
- ✓ Compare every job to every other job.
- ✓ Job hierarchy developed by number of times selected.

### **Steps in job ranking:**

- ✓ Determine number of pairs required.
- ✓ compare each pair and select the stronger job.
- ✓ Determine the number of times each job was selected.
- ✓ Rank order the jobs.

## **Paired-Comparison Ranking Approach**

### **Step one: Determine number of pairs required:**

$$= \frac{N(N-1)}{2}$$

2

N= Number of jobs to be ranked

### **Step three:**

**Determine the  
number of times each  
job was selected:**

### **Selection Frequency:**

**A (3)**

**B (2)**

**C (4)**

**D (1)**

**E (0)**

### **Step Four:**

**Rank Order the  
jobs.**

**1 = Job C**

**2 = Job A**

**3 = Job B**

**4 = Job D**

**5 = Job E**

## Pros and Cons in Ranking Methods

### Advantages

- ✓ Simple to administer.
- ✓ Inexpensive.
- ✓ Quickly implemented.
- ✓ Little training required.

### Disadvantages

- ✓ Different judgment criteria.
- ✓ No detail.
- ✓ May be superficial.
- ✓ Incumbent influence

## **Ranking Methods**

### **Job Classification:**

#### **Definition**

Raters categorize jobs into groups or classes of jobs that are of roughly the same value for pay purposes.

#### **Steps in Classification Method:**

1. Obtain job information (job descriptions)
2. Identify and cluster benchmark jobs.
3. Develop preliminary generic definitions.
4. Compare jobs to definitions.
5. Assign remaining jobs to classification levels.

## Example of a Grade Level Definition

GRADE	NATURE OF ASSIGNMENT	LEVEL OF RESPONSIBILITY
GS-7	Performs specialized duties in a defined functional or program area involving a wide variety of problems or situations; develops information, identifies interrelationships, and takes actions consistent with objectives of the function or program served.	Work is assigned in terms of objectives, priorities, and deadlines; the employee works independently in resolving most conflicts; completed work is evaluated for conformance to policy; guidelines, such as regulations, precedent cases, and policy statements require considerable interpretation and adaptation.

This is a summary chart of the key grade level criteria for the GS-7 level of clerical and assistance work. Do not use this chart alone for classification purposes; additional grade level criteria are in the Web-based chart.

### **Advantages**

- ✓ Simple to administer.
- ✓ Inexpensive.
- ✓ Quickly implemented.
- ✓ Little training required.
- ✓ Evaluation reference points defined

### **Disadvantages**

- ✓ Jobs may be forced into classifications that may not fit.
- ✓ Descriptions can be inflated to fit a classification.

## **Job Evaluation Methods**

### **Market Based Method**

*Step One:* Obtain information on the job.

*Step Two:* Collect market data.

*Step Three:* Develop a structure.

*Step Four:* Assign priced jobs.

*Step Five:* Slot the remaining jobs.

### **Advantages**

- ✓ Simple to administer.
- ✓ Inexpensive.
- ✓ Easy to explain.
- ✓ Not time-consuming.
- ✓ Responsive to the market.

### **Disadvantages**

- ✓ May be difficult to obtain sufficient data.
- ✓ Any market inequities are built in.
- ✓ Not defensible on job content basis.
- ✓ May be out of sync with internal equity.

### **Point Factor Method**

#### **A quantitative technique that involves:**

- ✓ Identifying the degree to which each compensable factors are present in the job.
- ✓ Awarding points for each degree of each factor.
- ✓ Calculating a total point value for the job by adding up the corresponding points for each factor.

## Generic Compensable Factors:

<b><u>Step 1,2 &amp; 3</u></b>			
<b>Select, Weight compensable factors and assign points</b>			
<b><u>• Skill</u></b>	<b>Factor</b>	<b>Max. Pts.</b>	<b>%</b>
<b><u>• Effort</u></b>	<b>• Skill</b>	<b>350</b>	<b>35</b>
<b>• Mental</b>	<b>• Effort</b>	<b>200</b>	<b>20</b>
<b>• Physical</b>	<b>• Responsibility</b>	<b>300</b>	<b>30</b>
<b><u>• Responsibility</u></b>	<b>• Work Conditions</b>	<b>150</b>	<b>15</b>
<b><u>• Working Conditions</u></b>		<b>1000</b>	<b>100%</b>

## Generic Compensable Factors in Quantitative Job Evaluation

### Steps in the Point Factor Method

- ✓ Step 1. Determine clusters of jobs to be evaluated
- ✓ Step 2. Collect job information
- ✓ Step 3. Select compensable factors
- ✓ Step 4. Define compensable factors
- ✓ Step 5. Define factor degrees
- ✓ Step 6. Determine relative values of factors

## Example of One Factor (Complexity/Problem Solving) in a Point Factor System

### Evaluation Points Assigned to

	First-Degree Points	Second-Degree Points	Third-Degree Points	Fourth-Degree Points	Fifth-Degree Points
Decision making	41	82	123	164	204
Problem solving	35	70	105	140	174
Knowledge	24	48	72	96	123

### Factors and Degrees

## Establishing Pay Rates

### Definition:

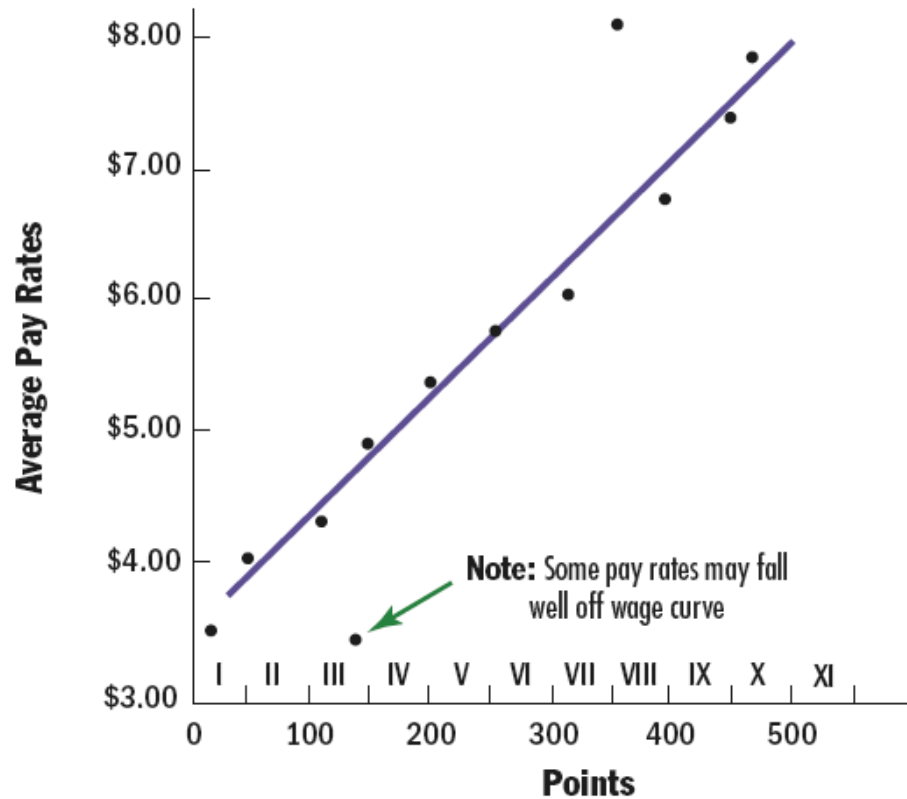
A pay grade is comprised of jobs of approximately equal difficulty or importance as established by job evaluation.

- ✓ Point method: the pay grade consists of jobs falling within a range of points.
- ✓ Ranking method: the grade consists of all jobs that fall within two or three ranks.
- ✓ Classification method: automatically categorizes jobs into classes or grades.

### Price Each Pay Grade — Wage Curve

- ✓ Shows the pay rates currently paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation.
- ✓ Shows the relationships between the value of the job as determined by one of the job evaluation methods and the current average pay rates for your grades.

## Plotting a Wage Curve



## Obtaining Market Data

### The salary survey

- ✓ Aimed at determining prevailing wage rates.
- ✓ Formal written questionnaire surveys are the most comprehensive, but telephone surveys and newspaper ads are also sources of information.

### Sources for Salary Surveys

- ✓ Consulting firms
- ✓ Professional associations
- ✓ Government agency



## Decision Factors in Obtaining Market Survey

- ✓ Cost
- ✓ Time
- ✓ Reliability
- ✓ Availability
- ✓ Data Format

## Fine-tune pay rates

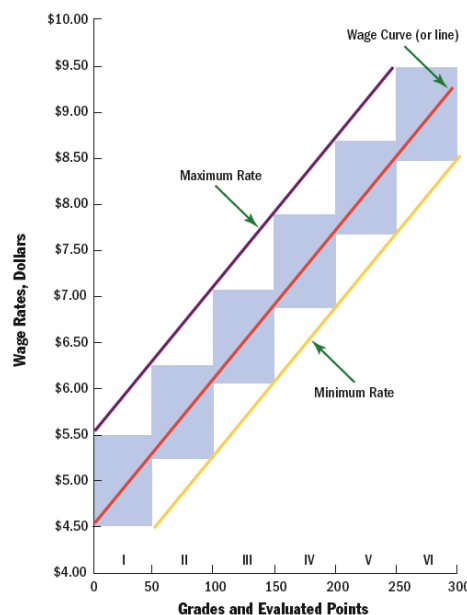
### Developing pay ranges

- ✓ Flexibility in meeting external job market rates
- ✓ Easier for employees to move into higher pay grades
- ✓ Allows for rewarding performance differences and seniority

### Correcting out-of-line rates

- ✓ Raising underpaid jobs to the minimum of the rate range for their pay grade.
- ✓ Freezing rates or cutting pay rates for overpaid (“red circle”) jobs to maximum in the pay range for their pay grade.

## Wage Structure

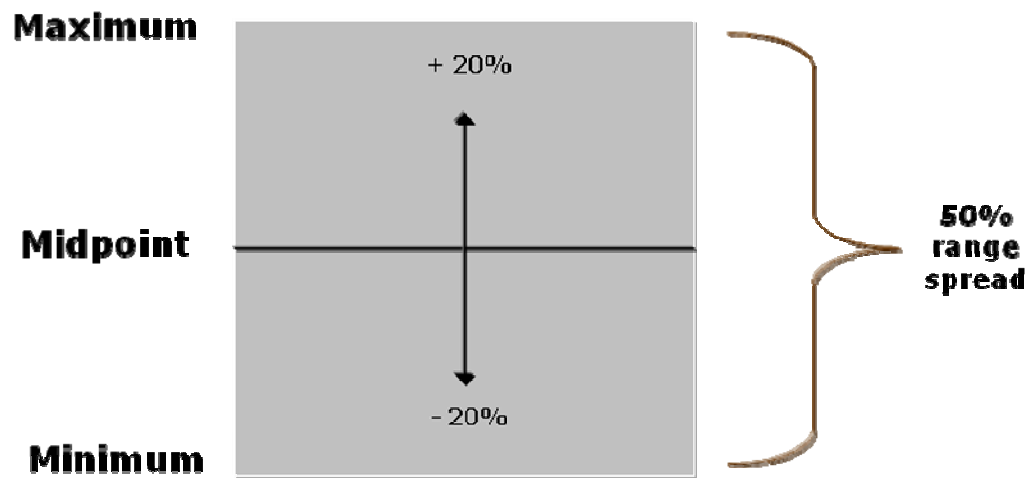


## Range Spread ....Example – 50% Spread

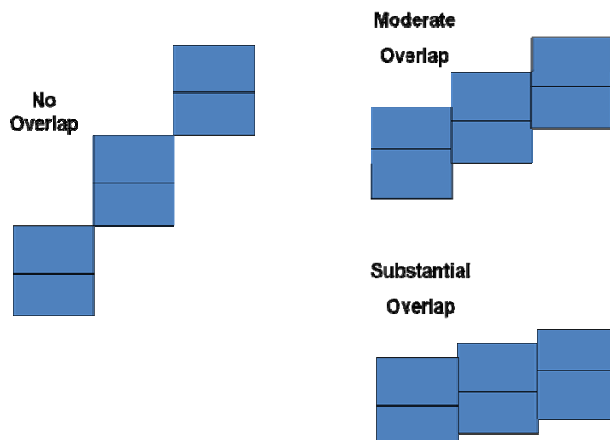
$$\frac{\text{Maximum} - \text{Minimum}}{\text{Minimum}} = \text{Range Spread}$$

i.e.: Grade 1, which includes the Managing Director position, starts by 22,000LE and its maximum is 33,000LE.

What is the range spread for this grade?



## Range Overlap



## Typical Range Spreads

Employee Group	Typical Range Spread
Service, Production and maintenance	Narrow ranges (20-40%)
Clerical, Technical and Supervisory	Relatively narrow ranges
Professional and Administration	Wider ranges (35% - 50%)
Managerial and Executive	Widest ranges (50%)

## Pricing Managerial and Professional Jobs

### Compensating managers

- ✓ Base pay
- ✓ Short-term incentives
- ✓ Long-term incentives
- ✓ Executive benefits and perks

### **What Really Determines Executive Pay?**

- ✓ CEO pay is set by the board of directors taking into account factors such as the business strategy, corporate trends, and where they want to be in a short and long term.
- ✓ Firms pay CEOs based on the complexity of the jobs they filled.
- ✓ Boards are reducing the relative importance of base salary while boosting the emphasis on performance-based pay.

## **Compensating Professional Employees**

- ✓ Employers can use job evaluation for professional jobs.
- ✓ Compensable factors focus on problem solving, creativity, job scope, and technical knowledge and expertise.

### **What Is Competency-based Pay?**

Competency-based pay

- ✓ Where the company pays for the employee's range, depth, and types of skills and knowledge, rather than for the job title he or she holds.

### **Competencies**

- ✓ Demonstrable characteristics of a person, including knowledge, skills, and behaviors, that enable performance.

Competency-Based Pay in Practice

**Main components of skill/competency/ knowledge-based pay programs:**

- ✓ A system that defines specific skills, and a process for tying the person's pay to his or her skill
- ✓ A training system that lets employees seek and acquire skills

## Competency-Based Pay: Pros and Cons

### Pros

- ✓ Higher quality
- ✓ Lower absenteeism and fewer accidents

### Cons

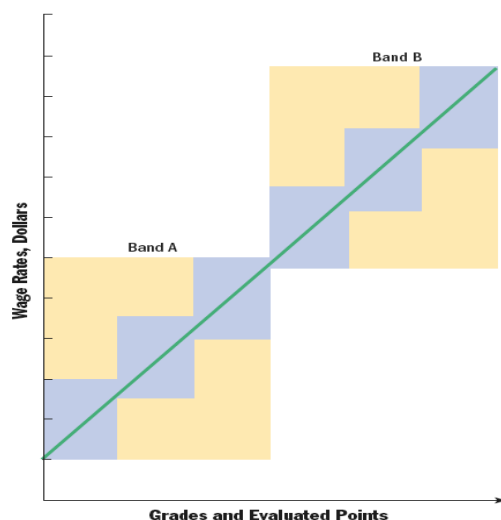
- ✓ Pay program implementation problems
- ✓ Cost implications of paying for unused knowledge, skills and behaviors
- ✓ Complexity of program
- ✓ Uncertainty that the program improves productivity

## Other Compensation Trends

### Broad banding .... Definition & Characteristics

Consolidating salary grades and ranges into just a few wide levels or “bands,” each of which contains a relatively wide range of jobs and salary levels.

- ✓ Wide bands provide for more flexibility in assigning workers to different job grades.
- ✓ Lack of permanence in job responsibilities can be unsettling to new employees.



### Broad banded Structure and How It Relates to Traditional Pay Grades and Ranges

## Base Pay Investment



## Incentive Plans ... Types of Incentive Plans

### Incentive Plan:

Wage program where wages rise with productivity increases above an established standard. Individual incentive wage plans are based on the performance of the individual employee, while group incentive plans are based on the performance of the work group, with individual members receiving a respective proportion of the pay allocated.

### Pay-for-performance plans

- ✓ Variable pay (organizational focus)
- ✓ Variable pay (individual focus)
- ✓ Individual incentive/recognition programs
- ✓ Sales compensation programs
- ✓ Team/group-based variable pay programs
- ✓ Organization wide incentive programs
- ✓ Executive incentive compensation programs

## Individual Pay Administration

- ✓ Single-Rate Pay System
- ✓ Step Rate Pay System
- ✓ Variable Pay
- ✓ Combination Step and Merit Program

### Single – Rate Pay System

- ✓ Each job has a single rate.
- ✓ All incumbents paid that rate.
- ✓ Rates updated to reflect market changes.
- ✓ Most frequent in collective bargaining units and with trades.
- ✓ Can work for unskilled/limited discretion jobs or when incentives provide variation in pay.
- ✓ Does not reflect skill level/ performance.
- ✓ Step schedules developed base on market rates and time progression.
- ✓ People typically come in at first step.
- ✓ Time progression automatic (1yr, 2yrs).
- ✓ Cannot differentiate based on skill level and /or performance of incumbents.

### Variable Step Progression

- ✓ Similar result to fixed step progression.
- ✓ Majority progress at planned pace.
- ✓ Outstanding employees get more steps or get step sooner.
- ✓ Sub-par employees do not get step increment or get it later.
- ✓ Best used as transition from fixed step to merit pay system – or half way move.

## **Combination step and Merit Program**

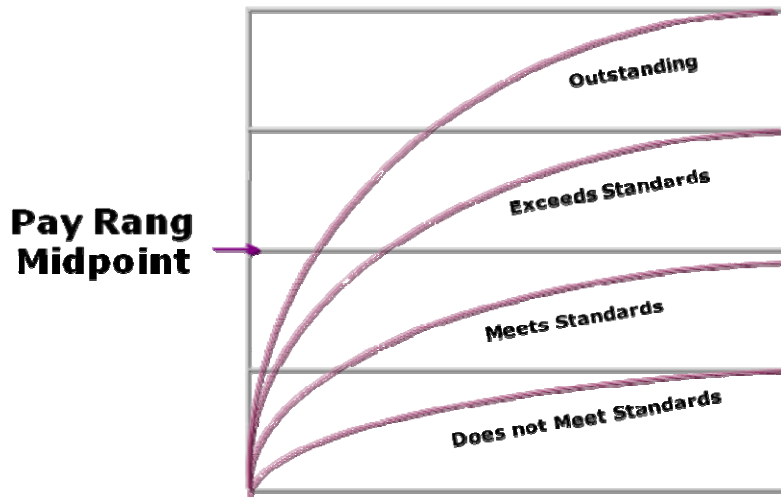
- ✓ Progression to “job rate” is time based.
- ✓ Progression beyond is performance based.
- ✓ Best applied when there is fairly long learning curve to competence.
- ✓ Can be used when performance appraisal system will not support merit pay.
- ✓ Can be used to make costs above job rate contingent on performance.

## **Merit Pay System**

- ✓ Pay tied to level of command of job and to performance.
- ✓ The largest adjustments go to those who are low paid and who perform very well.
- ✓ The smallest adjustments go to those who are highly paid and who perform poorly.
- ✓ The overriding concept is to PAY for performance, DO NOT GIVE INCREASES FOR PERFORMANCE POTENTIAL, i.e. PAY FOR RESULTS.



## Pay Progression within Range: Merit



## Compensation Analysis Tools

### Pay Index Calculations

$$\frac{\text{Salary}}{\text{Midpoint}} = \frac{\text{Individual Pay-Index}}{(\text{Actual to Structure})}$$

### Pay – Index a.K.a. Compa-Raio

## Individual Incentive Plans

### Piecework Plans

The worker is paid a sum (called a *piece rate*) for each unit he or she produces.

- ✓ **Straight piecework:** A fixed sum is paid for each unit the worker produces under an established piece rate standard. An incentive may be paid for exceeding the piece rate standard.
- ✓ **Standard hour plan:** The worker gets a premium equal to the percent by which his or her work performance exceeds the

### **Pro and cons of piecework**

- ✓ Easily understandable, equitable, and powerful incentives
- ✓ Employee resistance to changes in standards or work processes affecting output
- ✓ Quality problems caused by an overriding output focus
- ✓ Easily understandable, equitable, and powerful incentives
- ✓ Employee resistance to changes in standards or work processes affecting output
- ✓ Quality problems caused by an overriding output focus
- ✓ Possibility of violating minimum wage standards
- ✓ Employee dissatisfaction when incentives either cannot be earned due to external factors or are withdrawn due to a lack of need for output

### **Incentives for professional employees**

- ✓ Professional employees are those whose work involves the application of learned knowledge to the solution of the employer's problems.
- ✓ Lawyers, doctors, economists, and engineers.

### **Possible incentives**

- ✓ Bonuses, stock options and grants, profit sharing
- ✓ Better vacations, more flexible work hours
- ✓ improved pension plans
- ✓ Equipment for home offices

### **Recognition-based awards**

- ✓ Recognition has a positive impact on performance, either alone or in conjunction with financial rewards.
- ✓ Combining financial rewards with non financial ones produced performance improvement in service firms almost twice the effect of using each reward alone.
- ✓ Day-to-day recognition from supervisors, peers, and team members is important.

## Incentives for Salespeople

### Salary plan

Straight salaries

- ✓ Best for: prospecting (finding new clients), account servicing, training customer's sales force, or participating in national and local trade shows.

### Commission plan

- ✓ Pay is only a percentage of sales
  - ✓ Keeps sales costs proportionate to sales revenues.
  - ✓ May cause a neglect of nonselling duties.
  - ✓ Can create wide variation in salesperson's income.
  - ✓ Likelihood of sales success may linked to external factors rather than to salesperson's performance.
  - ✓ Can increase turnover of salespeople.

### Combination plan

- ✓ Pay is a combination of salary and commissions, usually with a sizable salary component.
- ✓ Plan gives salespeople a floor (safety net) to their earnings
- ✓ Salary component covers company-specified service activities.
- ✓ Plans tend to become complicated, and misunderstandings can result.

### Specialized Combination Plans

- ✓ **Commission-plus-drawing-account plan**
  - ✓ Commissions are paid but a draw on future earnings helps the salesperson to get through low sales periods.
- ✓ **Commission-plus-bonus plan**
  - ✓ Pay is mostly based on commissions.
  - ✓ Small bonuses are paid for directed activities like selling slow-moving items.

## Team/Group Variable Pay Incentive Plans

Team or group incentive plan

- ✓ A plan in which a production standard is set for a specific work group, and its members are paid incentives if the group exceeds the production standard.

How to Design Team Incentives Set individual work standards

- ✓ Set work standards for each team member and then calculate each member's output.
- ✓ Members are paid based on one of three formulas:
  - All members receive the same pay earned by the highest producer.
  - All members receive the same pay earned by the lowest producer.
- ✓ Set individual work standards
  - All members receive same pay equal to the average pay earned by the group.
- ✓ Use an engineered production standard based on the output of the group as a whole.
  - All members receive the same pay, based on the piece rate for the group's job.
- ✓ This group incentive can use the piece rate or standard hour plan, but the latter is more prevalent.
- ✓ Tie rewards to goals based on an overall standard of group performance
- ✓ If the firm reaches its goal, the employees share in a percentage of the improvement (in labor costs saved).

## Organization wide Variable Pay Plans

### **Profit-sharing plans**

- ✓ Cash plans
  - Employees receive cash shares of the firm's profits at regular intervals.
- ✓ The Lincoln incentive system
  - Profits are distributed to employees based on their individual merit rating.
- ✓ Deferred profit-sharing plans
  - A predetermined portion of profits is placed in each employee's account under a trustee's supervision.

### **Employee stock ownership plan (ESOP)**

- ✓ A corporation annually contributes its own stock—or cash (with a limit of 15% of compensation) to be used to purchase the stock—to a trust established for the employees.
- ✓ The trust holds the stock in individual employee accounts and distributes it to employees upon separation from the firm if the employee has worked long enough to earn ownership of the stock.

### **Gain sharing Plans**

#### **Gain sharing**

- ✓ An incentive plan that engages many or all employees in a common effort to achieve a company's productivity objectives.
- ✓ Cost-savings gains are shared among employees and the company.

### **Implementing a Gain sharing Plan**

1. Establish general plan objectives.
2. Choose specific performance measures.
3. Decide on a funding formula.
4. Decide on a method for dividing and distributing the employees' share of the gains.
5. Choose the form of payment.
6. Decide how often to pay bonuses.
7. Develop the involvement system.
8. Implement the plan.

## **Short-Term Incentives for Managers And Executives**

### **Annual bonus**

- ✓ Plans that are designed to motivate short-term performance of managers and are tied to company profitability.
  - Eligibility basis: job level, base salary, and impact on profitability
- ✓ Fund size basis : nondeductible formula (net income) or deductible formula (profitability)
- ✓ Individual awards: personal performance/contribution

## Long-Term Incentives for Managers And Executives

### Stock option

- ✓ The right to purchase a specific number of shares of company stock at a specific price during a specific period of time.
  - Nonqualified stock option
  - Indexed option
  - Premium priced option
- ✓ Options have no value (go “underwater”) if the price of the stock drops below the option’s strike price (the option’s stock purchase price).

### Other plans

- ✓ Key employee program
- ✓ Stock appreciation rights
- ✓ Performance achievement plan
- ✓ Restricted stock plans
- ✓ Phantom stock plans

### Performance plans

- ✓ Plans whose payment or value is contingent on financial performance measured against objectives set at the start of a multi-year period.

## Other Executive Incentives

### **Golden parachutes**

- ✓ Payments companies make to departing executives in connection with a change in ownership or control of a company.

### **Guaranteed loans to directors**

- ✓ Loans provided to buy company stock.
- ✓ A highly risky and now frowned upon practice.

## Why Incentive Plans Fail

- ✓ Performance pay can't replace good management.
- ✓ You get what you pay for.
- ✓ "Pay is not a motivator."
- ✓ Rewards punish.
- ✓ Rewards rupture relationships.
- ✓ Rewards can have unintended consequences.
- ✓ Rewards can have unintended consequences.
- ✓ Rewards may undermine responsiveness.
- ✓ Rewards undermine intrinsic motivation.



## Implementing Effective Incentive Plans

- ✓ Ask: Is effort clearly instrumental in obtaining the reward?
- ✓ Link the incentive with your strategy.
- ✓ Make sure effort and rewards are directly related.
- ✓ Make the plan easy for employees to understand.
- ✓ Set effective standards.
- ✓ View the standard as a contract with your employees.
- ✓ Get employees' support for the plan.
- ✓ Use good measurement systems.
- ✓ Emphasize long-term as well as short-term success.
- ✓ Adopt a comprehensive, commitment-oriented approach.

### HR Activities that Build Commitment

- ✓ Clarifying and communicating the goals and mission of the organization.
- ✓ Guaranteeing organizational justice.
- ✓ Creating a sense of community by emphasizing teamwork and encouraging employees to interact.
- ✓ Supporting employee development by emphasizing promotion from within, developmental activities, and career-enhancing activities.
- ✓ Generally committing to “people-first values.”

# Benefits & Services

## **Definition**

Indirect financial and nonfinancial payments employees receive for continuing their employment with the company.

## **Types of employee benefit plans**

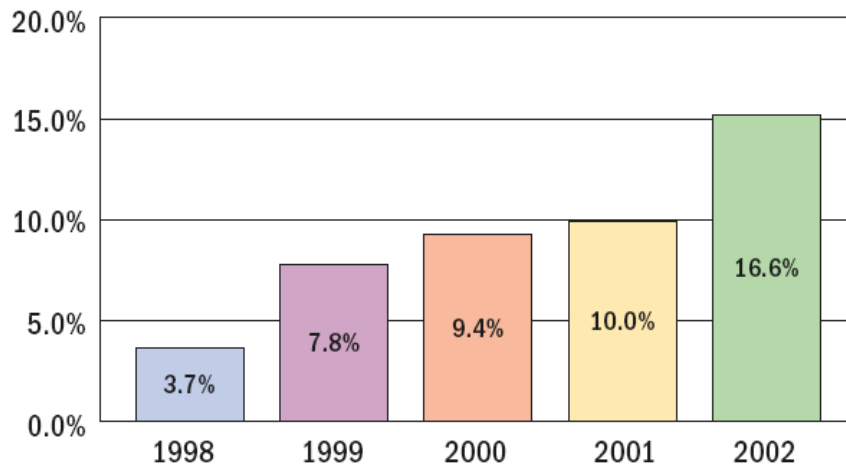
- ✓ Supplemental pay: sick leave and vacation pay
- ✓ Insurance: workers' compensation
- ✓ Retirement: Pensions
- ✓ Employee services: child-care facilities

## **The Benefits Picture Today**

- ✓ Most full-time employees in the United States receive benefits.
- ✓ Virtually all employers—99%—offer some health insurance coverage.
- ✓ Benefits are a major expense (about one-third of wages and salaries) for employers.
- ✓ Employees do seem to understand the value of health benefits.

## Annual Health Care Cost Increases

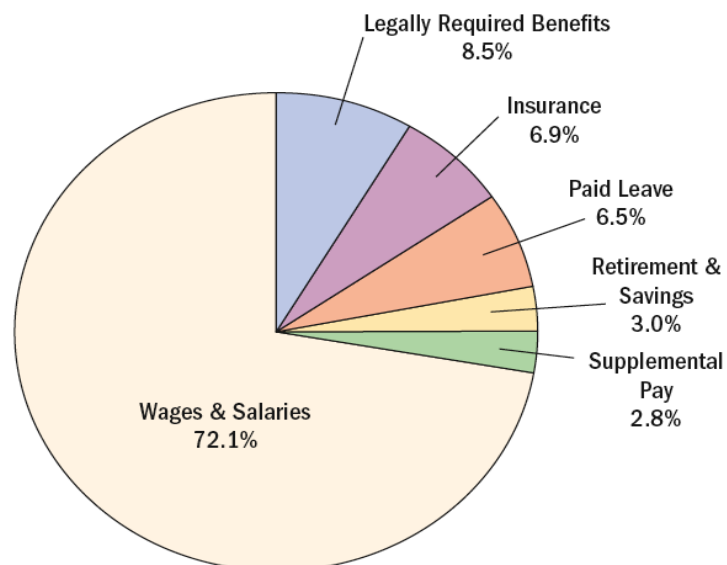
**Annual Health Care Cost Increases—  
National Averages**



**Source:** Hewitt Health Value Initiative.

**Note:** 2002 projected.

## Private-Sector Employer Compensation Costs, June 2003



## **Types of Employee Benefits**

- ✓ Pay for time not worked
- ✓ Insurance benefits
- ✓ Retirement benefits
- ✓ Services

### **Issues in Developing Benefits Plans**

- ✓ Benefits to be offered.
- ✓ Coverage of retirees in the plan
- ✓ Denial of benefits to employees during initial “probationary” periods
- ✓ Financing of benefits.
- ✓ Benefit choices to give employees.
- ✓ Cost containment procedures to use.
- ✓ Communicating benefits options to employees.

### **Other Cost-Saving Strategies**

1. Wellness programs
2. Disease management
3. Absence management
4. On-site primary care
5. Eliminating cost-inefficient plans
6. Moving toward PPO

# Retirement Benefits

## Types of pension plans

- ✓ Contributory: employees contribute to the plan.
- ✓ Noncontributory plans: employer makes all contributions to the plan.
- ✓ Qualified plans: plans that meet requirements for tax benefits for employer contributions.
- ✓ Nonqualified plans: plans not meeting requirements for favorable tax treatment.
- ✓ Types of pension plans (cont'd)
- ✓ Defined contribution: contributions of employees and employers are specified; plan payouts are not.
- ✓ Defined benefit plans: plan payouts are specified; however, contributions must be sufficient to insure payouts.

## Key policy issues in pension planning

### Membership requirements

- ✓ Setting the minimum age or minimum service at which employees become eligible for a pension.

### Benefit formula

- ✓ Determining pension payouts for individual employees.

### Plan funding

- ✓ Funding the plan (contributory or noncontributory).

### Vesting

- ✓ Meeting ERISA requirements for employer and employee contributions that cannot be forfeited for any reason by the vested employee.

## **Pension alternatives**

### **Early retirement windows**

- ✓ Specific employees (often age 50-plus) are offered the opportunity to voluntarily retire earlier than usual.
- ✓ The financial incentive is generally a combination of improved or liberalized pension benefits plus a cash payment.

### **Increasing portability**

- ✓ Defined benefit plans to defined contribution plans
- ✓ Allows workers who leave the firm before retirement to receive initial benefits at a younger age.

### **Cash balance pension plans**

- ✓ Defined benefit plan in which the employer contributes a percentage of employees' pay to the plan every year, and employees earn interest on this amount.
- ✓ Provide the portability of defined contribution plans with the employer funding of defined benefit plans.
- ✓ Conversion to cash balance plans can have a disparate impact on older workers nearing retirement.

## **Family-Friendly Benefits**

- ✓ On-site or subsidized child care
- ✓ Elder care
- ✓ Fitness and medical facilities
- ✓ Food services
- ✓ Flexible work scheduling
- ✓ Telecommuting
- ✓ Educational subsidies
- ✓ Sabbaticals
- ✓ Loan programs for home office equipment
- ✓ Stock options
- ✓ Concierge services
- ✓ Trauma counseling

### **Executive Perquisites**

- ✓ Management loans
- ✓ Golden parachutes
- ✓ Financial counseling
- ✓ Relocation benefits
- ✓ Sabbaticals
- ✓ Severance pay
- ✓ Outplacement assistance
- ✓ Company cars
- ✓ Chauffeured limousines
- ✓ Security systems
- ✓ Company planes and yachts
- ✓ Executive dining rooms
- ✓ Physical fitness programs
- Legal services
- ✓ Tax assistance
- ✓ Expense accounts
- ✓ Club memberships
- ✓ Season tickets
- ✓ Credit cards
- ✓ Children's education



# Flexible Benefits Programs

## The cafeteria (flexible benefits) approach

**Each employee is given a benefits fund budget to spend on the benefits he or she prefers.**

- ✓ The fund limits the total cost for each benefits package.
- ✓ *Core plus option plans* establish a core set of benefits which are mandatory for all employees.

### Flexible spending accounts

- ✓ Enable employees to pay for medical and other expenses with pretax dollars by depositing funds in their accounts from payroll deductions.

## Flexible Work Arrangements

### Flextime

- ✓ A plan whereby employees' workdays are built around a core of mid-day hours when all workers are required to be present.
- ✓ Workers can arrange their own starting and stopping hours before and after the core period.
- ✓ Positive effects on employee productivity, job satisfaction, satisfaction with work schedule, and employee absenteeism.
- ✓ Positive effect on absenteeism was much greater than on productivity.

### Compressed workweeks

Increase productivity

- ✓ Less disruption from shift changes
- ✓ Longer time-off-work periods
- ✓ Reduced absenteeism

**Longer workdays; fewer workdays:**

- ✓ Four-day workweeks, with four 10-hour days.
- ✓ Two days on, two days off, three days on, then two days off, two days on, and so forth.
- ✓ Three 12-hours shifts, and then off for the next four days.

**Job sharing**

- ✓ Allowing two or more people to share a single full-time job.

**Work sharing**

- ✓ A temporary reduction in work hours by a group of employees during economic downturns as a way to prevent layoffs.

**Telecommuting**

- ✓ Employees work at home using telephones and the Internet to transmit letters, data, and completed work to the home office.